

Inspector General

United States
Department *of* Defense



Semiannual Report to the Congress

October 1, 2009 - March 31, 2010

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Key IG Accomplishments During this Reporting Period

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

| | |
|---|---------------|
| Reports Issued..... | 52 |
| Monetary Benefits | |
| Recommendations Made on Funds Put to Better Use..... | \$4.2 billion |
| Achieved Monetary Benefits (Funds Put to Better Use)..... | \$195 million |

SUMMARY OF INVESTIGATIVE ACTIVITIES¹

| | |
|--|----------------|
| Total Returned to the U.S. Government..... | \$1.9 billion |
| Civil Settlements..... | \$111 million |
| Civil Judgments..... | \$1.8 billion |
| Administrative Recoveries ² | \$5.3 million |
| Recovered Government Property..... | \$107 thousand |
| Investigative Cases | |
| Indictments..... | 159 |
| Convictions..... | 122 |
| Suspensions..... | 112 |
| Debarments..... | 40 |

Administrative Investigations

| | |
|-------------------------------------|-----|
| Cases Received..... | 506 |
| Cases Closed..... | 432 |
| Senior Official Investigations..... | 153 |
| Reprisal Cases..... | 279 |

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

| | |
|---|-----|
| Existing and Proposed Regulations Reviewed..... | 148 |
| Evaluation Reports Issued..... | 4 |
| Inspector General Subpoenas Issued..... | 199 |

SUMMARY OF INTELLIGENCE ACTIVITIES

| | |
|----------------------------------|---|
| Intelligence Reports Issued..... | 4 |
|----------------------------------|---|

SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

| | |
|--------------------------------|---|
| Assessment Reports Issued..... | 1 |
|--------------------------------|---|

SUMMARY OF DEFENSE HOTLINE ACTIVITIES

| | |
|-------------------|-------|
| Contacts..... | 7,965 |
| Cases Opened..... | 1,141 |
| Cases Closed..... | 1,026 |

¹ Includes investigations conducted jointly with other law enforcement organizations.

² Includes contract cost adjustments, military non-judicial punishments, and contractor disclosures.



I am proud to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2009 to March 31, 2010. We have been diligently working on behalf of the warfighters and taxpayers to identify fraud, waste, and abuse and improve the efficiency and effectiveness of the Department's operations and programs.

During this reporting period, we continued directing our resources towards areas of greatest risk and challenge for the Department by conducting audits, investigating criminal activity, and evaluating key programs and operations. For example, we performed 61 audits, evaluations, intelligence reviews, and assessments. In addition, the Defense Criminal Investigative Service, working closely with other law enforcement agencies, was responsible for returning \$1.9 billion in fines, restitutions, and recoveries to the U.S. government. Our investigations resulted in 159 indictments, 122 convictions, 112 suspensions, and 40 debarments. Moreover, our auditors identified \$4.2 billion of funds put to better use, and our Defense Hotline handled nearly 8,000 contacts.

Independent oversight of the Department ensures public confidence and protects the warfighters. The Department is one of the largest and most complex enterprises in the world. It has a budget larger than most sovereign countries. The workforce itself is comprised of more than three million people, spread across thousands of facilities, and the Department has been engaged in military operations in Southwest Asia for nine years now, placing incredible stress on its personnel and equipment. The sheer size and scope of the Department's operations makes our mission of providing oversight and driving change an enormous challenge.

To accomplish this important mission, we work jointly with our counterpart agencies including the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, and the Defense Contract Audit Agency. This report contains summaries of the accomplishments of these agencies.

The Accomplishments of the DoD IG section highlights our achievements in providing oversight of Overseas Contingency Operations and DoD programs. Included among these are asset accountability, the Guam realignment, health care, Recovery Act projects, product substitution, and acquisitions and contract management.

In Southwest Asia, the Department is involved in the largest wartime logistical operation since World War II. Consequently, one of our top priorities is asset accountability in Iraq and Afghanistan. As the Department realigns its presence in Southwest Asia, it is essential to account for and process DoD assets. We currently have several ongoing audits and oversight efforts in the area of asset accountability including the proper transfer, reset, or disposal of assets from military units, support staff, and contractors. We are also reviewing the supply support activities' processes and procedures for receiving, disposition, and shipment of materiel.

Another top priority is the U.S. Marine Corps realignment from Japan to Guam. We are leading the oversight of one of the largest movements of U.S. forces and assets. We will be monitoring the \$10.27 billion budget for facility and infrastructure development while helping these forces maintain a robust military presence in the Asia-Pacific region.

I want to express my appreciation for the achievements of all DoD IG employees and commend the military services and Defense agencies, and members of the oversight community on their accomplishments. We want to thank the service members, who inspire our work, for their service and sacrifice. We appreciate the continued support of the Congress and the Department as we work to promote accountability and continuous improvement of DoD programs and operations.

A handwritten signature in dark ink, reading "Gordon S. Heddell".

Gordon S. Heddell
Inspector General

Department of Defense
Inspector General
Semiannual Report to the Congress
October 1, 2009 to March 31, 2010



Inspector General Act of 1978,
as amended
Title 5, U.S. Code, Appendix 2

Purpose and establishment of Offices of Inspector General;
departments and agencies involved

In order to create independent and objective units--

- (1) to conduct and supervise audits and investigations relating to the programs and operations of the establishments listed in section 12(2);
- (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in such programs and operations; and
- (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

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DoD IG Reporting Requirements

The Inspector General Act of 1978, as amended, states that each inspector general shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding six-month periods ending March 31 and September 30.

The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

| IG Act References | Reporting Requirements | Page |
|-------------------|---|---------|
| Section 4(a)(2) | "review existing and proposed legislation and regulations...make recommendations..." | N/A |
| Section 5(a)(1) | "description of significant problems, abuses, and deficiencies..." | 13-38 |
| Section 5(a)(2) | "description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..." | 13-38 |
| Section 5(a)(3) | "identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..." | 125-126 |
| Section 5(a)(4) | "a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted." | 13-38 |
| Section 5(a)(5) | "a summary of each report made to the [Secretary of Defense] under section 6(b)(2)..." instances where information requested was refused or not provided" | N/A |
| Section 5(a)(6) | "a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued." showing dollar value of questioned costs and recommendations that funds be put to better use. | 74-83 |
| Section 5(a)(7) | "a summary of each particularly significant report..." | 13-38 |
| Section 5(a)(8) | "statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs..." | 83 |
| Section 5(a)(9) | "statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management..." | 83 |
| Section 5(a)(10) | "a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..." | 84 |
| Section 5(a)(11) | "a description and explanation of the reasons for any significant revised management decision..." | N/A |
| Section 5(a)(12) | "information concerning any significant management decision with which the Inspector General is in disagreement..." | N/A |
| Section 5(a)(13) | "information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan) | N/A |
| Section 5(b)(2) | "statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..." | 85 |
| Section 5(b)(3) | "statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..." | 85 |
| Section 5(b)(4) | "a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year..." | 88-124 |
| Section 8(f)(1) | "information concerning the number and types of contract audits..." | 86 |

DoD IG SUMMARY & MISSION STATEMENT



SERVING THE CONGRESS AND THE DEPARTMENT

Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections, and assessments that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department of Defense and the Congress.

MISSION

Promote integrity, accountability, and improvement of Department of Defense personnel, programs, and operations to support the Department's mission and serve the public interest.

VISION

One professional team strengthening the integrity, efficiency, and effectiveness of the Department of Defense.

CORE VALUES

Accountability • Integrity • Efficiency

SERVING THE WARFIGHTER



SERVING THE TAXPAYER



Goal 1

Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.

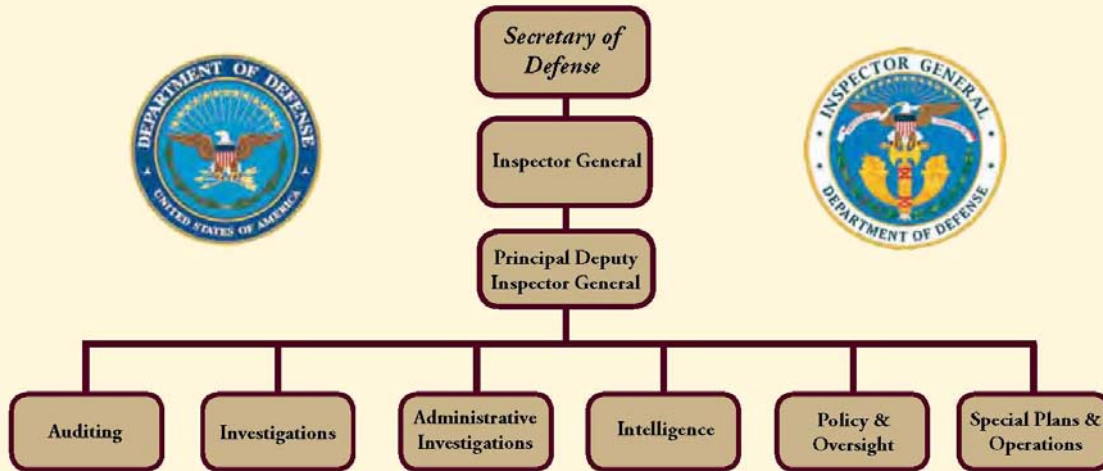
Goal 2

Eliminate fraud, waste, and abuse in the programs and operations of the Department of Defense.

Goal 3

Ensure the efficiency and effectiveness of DoD IG products, processes, and operations.

ORGANIZATION AND MISSIONS



AUDITING

The Office of the Deputy Inspector General for Auditing conducts audits on all facets of DoD operations. The work results in recommendations for reducing costs; eliminating fraud, waste, and abuse of authority; improving performance; strengthening internal controls; and achieving compliance with laws, regulations, and policy.

INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations is the criminal investigative arm of DoD IG. The Defense Criminal Investigative Service protects America's warfighters by conducting criminal investigations in support of crucial national defense priorities.

ADMINISTRATIVE INVESTIGATIONS

The Office of the Deputy Inspector General for Administrative Investigations investigates and oversees investigations of allegations regarding: the misconduct of senior DoD officials, both civilian and military; whistleblower reprisal against service members, defense contractor employees, and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals for mental health evaluations for service members.

INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence provides oversight (audits, evaluations, and inspections) across the full spectrum of programs, policies, procedures, and functions of the Intelligence Community, Special Access Programs, Nuclear Enterprise, and related security issues within the Department of Defense.

POLICY AND OVERSIGHT

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit, investigative, and hotline activities within the DoD; and provides technical advice and support to DoD IG projects.

SPECIAL PLANS AND OPERATIONS

The Office of the Deputy Inspector General for Special Plans and Operations facilitates informed decision-making by senior civilian and military leaders of the Department of Defense and U.S. Congress in order to accomplish priority national security objectives.

Department of Defense

Where We Are Today

ADDRESSING DOD CHALLENGES



DoD IG performs audits, investigations, inspections, and assessments to support the Department's mission and goals to:

- Successfully conduct Overseas Contingency Operations
- Reorient capabilities and forces
- Reshape the Defense enterprise
- Develop a 21st century total force
- Achieve unity of effort

DoD IG is focusing our work efforts on preventing and detecting fraud, waste, and abuse; and improving efficiency and effectiveness in the critical areas for the Department, such as:

- Operations in Southwest Asia
- Health and safety of service members and DoD employees
- Acquisitions and contracting
- Financial management
- Recovery Act spending
- Nuclear enterprise
- Information security and assurance
- Joint warfighting and readiness



Looking Forward

DoD IG is focusing its resources and oversight efforts in critical areas for the Department to improve its programs and operations. Independent oversight of the Department is essential to ensure the public's confidence and to protect the warfighters.

The complete IG Summary of Management and Performance Challenges for FY 2009 is published with the DoD Agency Financial Report and can be viewed at www.defenselink.mil/comptroller/afr.

Highlights & Outcomes

Asset Accountability

- Accountability related to the drawdown in Iraq
- Process for transfer, reset, or disposal of assets

Guam Realignment

- Oversight Plan
- Annual Report

Recovery Act Funds

- Predictive analytics modeling approach
- Military construction and maintenance projects

Product Substitution

- Military operations and DoD's supply chain
- Trafficking in counterfeit goods

Contract Oversight & Fraud

- Procurement of weapons systems
- DoD acquisition workforce



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Asset Accountability

Asset accountability is essential, whether for assets supporting U.S. and coalition efforts in Iraq or Afghanistan or whether for goods provided to Iraq or Afghan forces. The Department has been engaged in military operations in Southwest Asia for nine years, which has resulted in billions of dollars in assets deployed to support operations. As DoD realigns its presence in Southwest Asia, adequately accounting for and processing of the assets in Southwest Asia is essential. In December 2008, the Commander, U.S. Central Command proactively engaged the Defense oversight community requesting DoD IG to lead a planning effort with the service audit agencies to prepare a comprehensive approach to ensure U.S.-funded assets are properly accounted for and that there is a process for the proper transfer, reset, or disposal of these assets from military units, support staff, and contractors as the footprint reduces. DoD IG and the service audit agencies continue their reviews of asset accountability matters in Southwest Asia.

In Afghanistan, DoD IG found that the Theater Property Book Office could not account for all theater-provided equipment purchased in Afghanistan. In a joint review, DoD IG and Department of State OIG found that neither DoS nor the contractor maintained a current inventory list of property paid for by the U.S. government and could verify only 27 percent (34 out of 123 items) of the property randomly sampled at three of the Afghan National Police training centers. At one location, the team was unable to locate 98 percent of non-sensitive items. These items were reportedly lost in floods. Lacking adequate property records creates an environment conducive to theft and abuse.

DoD IG currently has several ongoing audits regarding asset accountability in Southwest Asia. Nine memorandums were issued in conjunction with one audit "Controls over the Accountability and Disposition of Government-Furnished Property in Iraq," so resources could be effectively allocated to improve accountability over GFE, where needed. Additionally, DoD IG is conducting two other audits in Kuwait regarding the drawdown in Iraq; one project pertains to the proper receipt, inspection, coding, and disposition of equipment at the Defense Reutilization and Marketing Office in Kuwait, and the other project pertains to the proper reutilization and disposition of equipment at the Retro Sort, General Supply Warehouse, and Theater Redistribution Center.

Guam Realignment

The Defense Policy Review Initiative, created by the Secretary of State and Secretary of Defense with their Japanese counterparts, serves as the framework for the future of U.S. force structure in Japan and the U.S. Marine Corps realignment to Guam.

The Guam realignment will be one of the largest movements of U.S. forces and their associated dependents and military assets in decades while helping to maintain a robust military presence in the Asia-Pacific region. Expected construction costs for facility and infrastructure development requirements relating to the realignment are approximately \$10.27 billion, of which the government of Japan has agreed to provide up to \$6.09 billion.

OVERSIGHT OF GUAM REALIGNMENT

Section 2835 of the National Defense Authorization Act for FY 2010 designated the Inspector General of the Department of Defense as the chairman of the Interagency Coordination Group of Inspectors General for Guam Realignment.

In the third quarter of FY 2010, DoD IG, on behalf of the members of the Interagency Coordination Group, will issue the oversight plan for Guam realignment. This plan will include critical oversight efforts such as:

- Overseeing and accounting for the obligation and expenditure of such funds.
- Monitoring and reviewing construction activities funded by such funds.
- Monitoring and reviewing contracts funded by such funds.
- Monitoring and reviewing the transfer of such funds and associated information between and among departments, agencies, and entities of the United States and private and nongovernmental entities.
- Maintaining of records on the use of such funds to facilitate future audits and investigations of the use of such funds.
- Monitoring and reviewing the implementation of the Defense Policy Review Initiative relating to the realignment of military installations and the relocation of military personnel on Guam.



REPORT ON GUAM REALIGNMENT

DoD IG issued the first annual report on Guam realignment on February 1, 2010. Public Law 111-84, Section 2835, "Interagency Coordination Group of Inspectors General for Guam Realignment," requires the Inspector General of the Department of Defense, as the chairperson of the Interagency Coordination Group, to submit to the congressional defense committees, the Secretary of Defense, and the Secretary of the Interior a report summarizing, for the preceding calendar year, the activities of the Interagency Coordination Group.

This first report identified the following programs and operations funded with appropriated amounts or funds otherwise made available for military construction on Guam in calendar year 2009.

- DoD obligated approximately \$60.3 million and expended approximately \$35.7 million. Other federal agencies obligated approximately \$7.8 million and expended approximately \$3.4 million.
- Government of Japan provided revenues valued at \$336 million with approximately \$369,000 in interest associated with those revenues.
- DoD identified 102 projects and programs with costs totaling approximately \$17.5 million with an estimated completion cost of approximately \$36.1 million. Other federal agencies identified four projects and programs with costs totaling approximately \$7.7 million with an estimated completion cost of approximately \$201.2 million.
- DoD identified operating expenses of approximately \$19.8 million. Other federal agencies identified operating expenses of approximately \$666,000.
- DoD and other federal agencies identified 15 contracts and 6 grants with obligations of approximately \$53.1 million.

SITE VISITS WITH SENIOR LEADERSHIP

Inspector General Gordon S. Heddell visited the Pacific area and met with headquarters elements of U.S. Pacific Command and U.S. Forces Japan, and the military leaders at military installations in Okinawa, Japan, and Guam. Additionally, the Inspector General met with Guam Lieutenant Governor Michael Cruz to discuss issues and concerns the citizens of Guam may have in regards to the transfer of U.S. forces from Okinawa to Guam.

Recovery Act Funds

DoD IG noted in the last Semiannual Report that DoD's execution of the \$12 billion in American Recovery and Reinvestment Act of 2009 (Public Law 111-5) funds was not progressing as quickly as the Department had planned, and much of the spending and actual work on the projects would not occur until FY 2010. DoD military and the U.S. Army Corps of Engineers Civil Works Recovery Act obligations and expenditures have increased through the first 20 weeks of FY 2010.

Although DoD and USACE Recovery Act obligations have increased at a slower rate, expenditures have increased at a faster rate when compared to the rates of obligations and expenditures for the last 20 weeks of FY 2009.

As of March 31, 2010, DoD obligated a total of 62.7 percent of the \$7.4 billion of appropriated Recovery Act funds and expended a total of 18.7 percent of the funds. As of the same date, USACE had obligated a total of 75.1 percent of the \$4.6 billion of appropriated Recovery Act funds for civil works projects and expended 24.7 percent of the appropriated funds.

To date, DoD IG has focused audit oversight of Recovery Act funds by using a predictive analytics modeling technique to select DoD projects. Factors such as type of project, place of performance, dollar value, and number of projects in a district or location were identified that may be correlated with different levels of risk. Using the factor weights, projects were ranked as to the likelihood of improper performance.

DoD IG has applied this analysis technique to select military construction and high-dollar value operations and maintenance projects for review. DoD IG also used predictive analytics to select USACE Civil Works and National Guard projects focusing on specific districts and states.

The primary responsibility for ensuring that Recovery Act funds are properly expended rests with the Department. DoD IG is focusing audit efforts on overall management oversight processes and challenges.

Specific DoD processes reviewed for effectiveness include processes for providing oversight of Recovery Act contracts to ensure they are meeting key Office of Management and Budget accountability objectives, including DoD oversight on whether:

- Funds were awarded and distributed in a prompt, fair, and reasonable manner (the extent of competition).
- Recipients and uses of funds were transparent to the public and reported in an accurate and timely manner.



- Funds were used for authorized purposes.
- Projects funded avoided unnecessary delays and cost overruns.

REPAIR OF AIRCRAFT PARKING APRON AT NAVAL STATION NORFOLK

DoD IG noted Naval Facilities Engineering Command Mid-Atlantic officials adequately justified and supported repair and reconstruction for some sections of the aircraft parking apron, taxiways, and heliport apron, totaling about \$18.7 million in costs. However, other sections of the Repair Aircraft Parking Apron project, valued at about \$24.9 million, were not properly planned or scoped to ensure appropriate use of Recovery Act funds.

As a result, DoD did not have reasonable assurance Recovery Act funds were used appropriately. The Assistant Secretary of the Navy (Financial Management and Comptroller) stated that the Department of the Navy has taken actions to reduce the scope of the project in accordance with DoD IG recommendations and the associated funds have been realigned for other Recovery Act projects. (Report No. D-2010-RAM-003)

REPAIR AIR TRAFFIC CONTROL BUILDING 118, NAVAL AIR STATION JACKSONVILLE DoD IG concluded that a Navy repair air traffic control tower project was a valid requirement, and DoD had reasonable assurance that the use of Recovery Act funds was appropriate for the project. (Report No. D-2010-RAM-004)

DOD'S RECOVERY ACT INITIAL DATA QUALITY REVIEW IMPLEMENTATION

DoD IG concluded that DoD did not have a well-defined process to perform limited data quality reviews intended to identify material omissions and/or significant reporting errors and to notify the recipients of the need to make appropriate and timely changes. DoD IG also concluded that DoD did not have specific policies and procedures to perform these tasks. (Report No. D-2010-RAM-002)

USACE DATA QUALITY REVIEW PROCESSES FOR CIVIL WORKS PROGRAMS

DoD IG noted that USACE had developed processes to perform limited data quality reviews for its Civil Works Programs and took steps to inform recipients of Recovery Act funds of the requirement to register and submit the required reports. As of October 21, 2009, USACE reported that about one-third of all contract recipients had not registered, and recipients had not submitted a report on about one-half of the contracts awarded. (Report No. D-2010-RAM-001)

JOINT OVERSIGHT

DoD IG also continues to execute a joint oversight approach with the service audit agencies to ensure maximum and efficient coverage of Recovery Act plans and implementation. Consistent with the audit approach used by DoD IG, the service auditors are focusing on the planning, funding, project execution, and tracking and reporting of Recovery Act projects. As of March 31, 2010, the service audit agencies issued 44 Recovery Act-related audit reports. The vast majority of the reports were published by the Air Force Audit Agency.

As part of joint efforts with the multi-agency Recovery Accountability and Transparency Board, DoD IG completed work and issued memoranda on two projects to assess DoD and USACE controls over Recovery Act recipient reporting. DoD IG also reviewed portions of federal-wide RATB reports covering the staffing and qualifications of the federal contracting and grants workforce used to implement the Recovery Act and a report on recipient reporting data

quality errors and corrective actions taken.

The purpose of the recipient reporting reviews is to allow DoD components to identify material omissions and significant recipient reporting errors and to notify federal contract, grant, and partnership agreement recipients of the need to make appropriate and timely changes. In addition, DoD IG provided engineering support of Recovery Act audits by conducting technical assessments to determine whether justifications and technical requirements were adequately planned to ensure the appropriate use of Recovery Act funds.

As of the end of this reporting period, DCIS initiated eight investigations involving Recovery Act funds. DCIS is conducting a majority of these investigations in conjunction with one or more military criminal investigative organizations: U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, Naval Criminal Investigative Service, and the Air Force Office of Special Investigations. These Recovery Act investigations involve allegations of procurement fraud, conflict of interest, and program management irregularities. DoD IG is working closely with the Department of Justice to ensure that Recovery Act cases are prosecuted, when appropriate.

In addition to investigating allegations of fraud, waste, and abuse, DoD IG implemented a Recovery Act Training and Outreach initiative to educate federal, state, and local employees, and contractors about the Recovery Act and the role of the Department in supporting the goals of the Act. As of the end of February 2010, DoD IG conducted 79 training sessions for approximately 1,400 attendees. The attendees included military, civilian, and law enforcement personnel; contracting employees; attorneys; and others. The training sessions provided the attendees an overview of the Recovery Act and DoD IG's oversight role, and covered fraud awareness and prevention as they relate to the Recovery Act.

On January 7, 2010, DCIS hosted the first Recovery Act/Stimulus Funds working group meeting for investigators at DoD IG headquarters. The meeting was attended by 23 program personnel and senior managers from 14 Offices of Inspectors General. The goals of the working group are to offer the IG investigative community a forum to share, coordinate, and deconflict Recovery Act investigations and intelligence, and network to exchange ideas on proactive initiatives to detect fraud, waste, and abuse. Although the group is in its infancy, it plans to spearhead various initiatives to promote better communication and collaborative efforts among OIGs, RATB, and the Department of Justice to prevent, deter, and prosecute Recovery Act fraud and corruption.

Product Substitution

DCIS supports DoD's warfighting mission through timely, comprehensive investigations involving nonconforming products posing a risk to military operations and DoD's supply chain. Nonconforming products not only disrupt readiness and waste economic resources, they could threaten the safety of military, government, and other end-users.

Nonconforming products include any product or the component of a product not manufactured, assembled, tested, or inspected in accordance with the terms of contract specifications or drawings, including military specifications. When nonconforming products are deliberately delivered to DoD, mission-critical processes and capabilities can be severely impacted. As a core investigative priority, DCIS investigates nonconforming product schemes including:

- Counterfeit
- Substituted
- Defective
- Substandard

DCIS supports the development of a comprehensive DoD strategy to address counterfeit parts issues. For example, DCIS actively participates in the Defense Supply Center Columbus Counterfeit Material/Unauthorized Product Substitution team. The center is the largest supplier of spare parts and end-use items for weapons systems, managing in excess of 2 million articles. The team is composed of an expert multi-disciplinary team including contract, legal, and quality specialists as well as a DCIS special agent with extensive experience in nonconforming product investigations. With its clear focus and mission, the CM/UPS team has assisted DCIS in obtaining in excess of 100 criminal indictments and convictions, more than \$200 million in civil recoveries, and more than \$30 million in directly returned parts to DSCC for future purchases.

DOD SUBCONTRACTOR TRAFFICKING IN COUNTERFEIT GOODS

On January 25, 2010, a Defense subcontractor was sentenced to 30 months incarceration, 24 months probation, and ordered to pay \$790,683 in restitution to Cisco following his guilty plea to trafficking in counterfeit goods. The investigation revealed that some of these counterfeit Cisco computer products were sold to the New Mexico Army National Guard and DoD contractors such as Lockheed Martin, Northrop Grumman, and Boeing. This was a joint investigation by DCIS, the Federal Bureau of Investigation, and Immigration and Customs Enforcement.



DOD CONTRACTOR IMPRISONED FOR COMMITTING AIRCRAFT PARTS FRAUD

On February 9, 2010, a DoD contractor was sentenced to 37 months incarceration, three years probation, and ordered to pay \$1.3 million in restitution as a result of a July 22, 2009, guilty plea to fraud involving aircraft parts. The contractor conspired in a scheme with an unapproved parts manufacturer to supply various aircraft parts for commercial and military aircraft, including the Air Force E-3. The unapproved parts manufacturer primarily fabricated wing components and represented them as "New Surplus," when in fact the parts were "Newly Manufactured" in the manufacturer's facility. The DoD contractor then submitted false documentation, which also misrepresented the true nature of the parts, and sold the parts to the Air Force at an inflated cost. For example, the DoD contractor purchased a part from the unapproved parts manufacturer for \$1,500, but sold it to the U.S. Air Force for \$14,000. This was a joint investigation with DCIS, the Department of Transportation Office of Inspector General, and the Air Force Office of Special Investigations.

DOD CONTRACTOR THAT ALLEGEDLY CONCEALED DEFECTIVE COMPUTER PARTS FROM THE U.S. GOVERNMENT AGREES TO \$3.5 MILLION SETTLEMENT

On October 29, 2009, a DoD contractor agreed to pay more than \$3.5 million, with no admission of wrongdoing, to resolve allegations that it provided defective computer platforms to the United States from 1999 through 2006. The contractor sold and installed computer platforms for both federal and state entities and allegedly knew modified transceiver chips could fail in their computer platforms, yet the company continued to market, sell, and install the platforms. The platforms were valued between \$500,000 and \$2 million each. Of the total settlement, \$2.9 million was returned to the U.S. government and the remainder went to relators who brought forth the original allegations.

This was a joint investigation with AFOSI, Army CID, and Offices of Inspector General of the Department of Justice and U.S. Postal Service.

FALSIFICATION OF COST AND PRICING

On October 6, 2009, a DoD contractor agreed to pay the United States \$22.5 million to resolve civil allegations that it had engaged in the falsification of cost and pricing data resulting in overcharging the government on numerous DoD contracts beginning in the 1990s and continuing until 2005. The settlement calls for the whistleblower who initiated the lawsuit to receive \$4.5 million of the government's settlement. The contractor agreed to pay an additional \$252,320 for expenses and attorneys' fees to the whistleblower. The original allegation indicated that a

manufacturer of aircraft components imported components for resale to the Boeing Company, the DoD prime contractor. Boeing advised the items were, in fact, components used in the manufacture of the F-18 Hornet.

On November 4, 2009, the contractor was arraigned, entered a guilty plea to wire fraud in U.S. District Court, and was sentenced to pay the United States a \$2.5 million criminal fine and was placed on two years probation.

On February 2, 2010, two former executives of the aircraft component manufacturer were convicted of obstructing a federal audit and sentenced in U.S. District Court. The court sentenced one executive to 2 years probation, 200 hours of community service, and a fine of \$30,000; the other was sentenced to two years probation, 200 hours of community service, and a fine of \$15,000.

Contract Oversight and Contract Fraud

DoD IG has identified risks and challenges in its audits, assessments, and investigations associated with contracting and contract oversight in support of Overseas Contingency Operations and the normal procurement of weapon systems, equipment, goods, and services.

The size and skill of the DoD acquisition workforce has not kept pace with the growth of its contract oversight responsibilities. This oversight vulnerability has been accentuated during periods of rapid force buildup in Iraq of both U.S. and Iraqi forces. Effective oversight of the diverse functions performed under high-dollar value logistics and support contracts requires a sizeable cadre of highly trained government contracting personnel with specialized knowledge and significant acquisition expertise. Collective results of work conducted throughout Southwest Asia have led DoD IG to conclude that a relatively small number of inexperienced civilian and military contract administrators and support personnel were assigned far-reaching responsibilities for an unreasonably large number of contracts. In order to meet urgent warfighter needs in the Southwest Asia contingency operations, contracted procurements have been expedited, often contributing to less than prudent contracting practices.

A survey of DoD contingency contracting challenges in Iraq, along with those in Afghanistan, points to a paucity of quality assurance in various phases of the contract management process. This appears to have been caused by a shortage of trained, in-country contracting officers and contracting officer's representatives. In

addition, the rapid turnover of existing contracting officers and contracting officer's representatives results in a lack of continuity that also hinders the contracting process.



CONTRACTOR DISCLOSURE PROGRAM

The Federal Acquisition Regulation requires federal contractors and subcontractors to disclose to the Inspector General violations of criminal law and the civil False Claims Act in connection with their contracts or face potential suspension and/or debarment. Contractors made 73 disclosures to the Contractor Disclosure Program during this reporting period.

DoD IG continues to draw down the DoD Voluntary Disclosure Program, which provided incentives for federal contractors to voluntarily disclose to government authorities potential civil or criminal violations. A total of 21 disclosures remain open under the program. More than \$470 million has been recovered under the program since its inception in 1986.

Summary of Performance

During this reporting period, DoD IG continued directing its resources towards those areas of greatest risk within the Department and addressed a variety of issues by conducting audits of programs, investigating criminal activity, and assessing key operations. Overseas Contingency Operations oversight efforts focused on:

- Force protection and safety
- Afghan Security Forces
- Asset Accountability
- Drawdown in Iraq
- Fraud and corruption
- Southwest Asia contracts
- Information operations

DoD program oversight efforts focused on:

- Health care
- Acquisition and contracting
- American Recovery and Reinvestment Act
- Financial management
- Information security and assurance
- Homeland Security/Terrorism
- Whistleblower protections and senior officials

In addition, DoD IG assessed key operations in a variety of areas by conducting inspections, assessments, and intelligence reviews. DoD IG investigated senior officials and reprisal complaints; conducted policy and peer reviews; and managed programs, such as contractor disclosure and the Defense Hotline.

Results Attained

AUDIT

| | |
|-----------------------------------|---------------|
| Reports Issued | 52 |
| Potential funds put to better use | \$4.2 billion |
| Achieved monetary benefits | \$195 million |

INVESTIGATIONS

| | |
|------------------|---------------|
| Indictments | 159 |
| Convictions | 122 |
| Suspensions | 112 |
| Debarments | 40 |
| TOTAL RECOVERIES | \$1.9 billion |

DoD IG Profile

Staffing and Budget

As of March 31, 2010, DoD IG workforce totaled 1,601 employees. The FY 2010 budget is \$288.1 million.

Office Locations

DoD IG is headquartered in Arlington, Va. Field audit and investigation offices are located across the United States including California, Missouri, Georgia, Texas, Ohio, Pennsylvania, and Florida. In addition, DoD IG has offices across the world including Germany, South Korea, Afghanistan, Iraq, Qatar, and Kuwait.

About DoD IG Employees

DoD IG is a knowledge-driven organization, and its employees are experts in fields such as auditing, criminal investigations, computer security, intelligence, hotline complaints, military reprisals, and many others.



ACCOMPLISHMENTS OF DoD IG



OVERSIGHT OF OVERSEAS CONTINGENCY OPERATIONS

Today in Southwest Asia, there are two major joint operating areas. As the United States is drawing down its forces in Iraq, it is building them up in Afghanistan. “Operation Nickel II” is the largest wartime logistical operation since World War II and costs more than \$100 million a day.

According to the security agreement between the United States and Iraq, all troops are due out of Iraq by the end of 2011. By presidential order, the number of U.S. troops in Iraq will drop to 50,000 by August 31, 2010. As of March 23, 2010, more than 80,000 troops were deployed to Iraq, with more than 15,000 in Kuwait. Further, the United States is sending an additional 30,000 troops to Afghanistan for a total of nearly 100,000. In addition to the military, according to DoD reports, there are about 3,500 U.S. government civilians and more than 207,000 contractor employees in the theater supporting these operations. Since October 2009, more than \$1.25 billion in equipment and supplies have been moved out of theater.

Further, while the Department is conducting tactical operations, it is also working with other U.S. agencies, coalition, and NATO partners to build the capacity of the two

governments. One of the key elements of this capacity building is the training, mentoring, and equipping of the Iraq and Afghan Security Forces. In Iraq, the transition from DoD to DoS has begun. During this period, the Department has also been tasked to assume the full mission of training the Afghanistan Security Forces. DoD has directed the Combined Security Transition Command – Afghanistan to be responsible for this mission, to advise, mentor, and train the Afghanistan Security Forces. In order to execute this mission, CSTC-A has received about \$6.5 billion funding in FY 2010, has requested another \$2.6 billion in the FY 2010 supplemental request, and another \$11.6 billion in the FY 2011 Overseas Contingencies Operations request.



To provide context to the complexity and enormity of the logistics environment in these two unique operations, the U.S. Army with its partner agencies and contractors provides the following services in support of theater operations:

- Drive 3,700 vehicles about 750,000 miles a day.
- Disburse more than \$695 million per month.
- Serve 780,000 meals a day.
- Move 230 fuel trucks per day to Afghanistan and Iraq and issue more than 2.7 million gallons of fuel daily.

DoD IG established the oversight efforts in Southwest Asia as its primary priority of 2010. Recognizing the importance of the military mission and the concerns of the cost of the war, DoD IG oversight needs to ensure that U.S.-funded assets are properly accounted for and that there is an effective process for the proper transfer, reset, or disposal of these assets from military units, support staff, and contractors as the drawdown and buildup are being executed.

As of March 31, 2010, DoD IG has more than 50 personnel deployed in Iraq, Afghanistan, Kuwait, and Qatar. DoD IG also supplements its oversight with shorter temporary duty deployments and performs additional work without deploying staff. As part of its

oversight operations in reviewing policies, plans, and processes, DoD IG conducts audits, investigations, assessments, and inspections to ensure:

- Personnel and property are properly accounted for and there is visibility over where the equipment and supplies are located.
- Logistics operations are optimized to achieve effective results.
- Controls are in place and functioning within the processes and procedures used to manage the funds expended.
- Contractors are providing quality products and services.
- Safety and Force Protection needs of the soldiers, civilians, and contractors are met.
- Information operations are being conducted in accordance with appropriate laws and regulations while achieving the expected outcomes.
- Government agencies have the proper oversight over the contractors supporting them.
- Fraud, waste, abuse, and corruption are identified.

In support of the mission in Southwest Asia, DoD IG established an executive level position, the Special Deputy Inspector General for Southwest Asia. In November 2009, the Special Deputy established the forward headquarters at Camp Arifjan, Kuwait.

The Special Deputy is the single point of contact for all matters relating to oversight activity in Southwest Asia. Other duties and responsibilities include:

- Recommends the development of strategic and operational oversight plans.
- Monitors and evaluates the success of integration efforts relative to audits, investigations, inspections, and various oversight and policy activities.
- Identifies gaps and overlaps, conflicting priorities, and senior leadership requests in the planning and execution of Southwest Asia oversight activities.
- Improves and ensures effective communications and coordination among the oversight organizations and theater
- Enables the oversight teams to provide relevant and timely information with actionable recommendations to commanders to improve accountability, visibility, transparency, controls and effectiveness on the battlefield.

As part of providing effective oversight, DoD IG and many of the other oversight organizations is the Southwest Asia Joint Planning Group have recognized that the theater is in constant motion. In the theatre, people, equipment, and supplies are essential to bring U.S., coalition, and NATO forces to bear at the right place, time, and capability. As such, in order to ensure that DoD IG findings and recommendations are relevant, timely, and actionable, DoD IG is providing information to the commanders and leadership in the theater as early in the oversight process as possible to effect the changes required at the earliest point.

This is a paradigm shift in oversight in that while products are produced that disclose results of the oversight work, the commanders and leaders are already correcting conditions found and, in most cases, actions have been taken or are in the process of being taken when the product is produced. This process allows for timely adjustments to policy, plans and processes. It further provides the reader of the products with the full benefit of the oversight teams' work in a transparent manner that is in full compliance with all the appropriate standards.

FORCE PROTECTION AND SAFETY

DoD IG provided continued oversight of force protection and safety-related issues. Reviews included ballistic protective vest maintenance and storage; threat identification and assessment for the military's tactical and support vehicles; and electrical safety issues at forward deployed bases.



Special DIG for Southwest Asia briefs military officers.

DCIS continued force protection measures through its investigations and arrests of military technology proliferators and other criminals seeking to divert DoD resources to foreign, and oftentimes hostile, entities. DCIS also maintained investigative oversight of safety issues arising from fraud in contingency operation contracts.

ARMY'S MANAGEMENT OF THE OPERATIONS AND SUPPORT PHASE OF THE ACQUISITION PROCESS FOR BODY ARMOR

DoD IG determined that the Army should improve the management of the operations and support phase of the acquisition process for Interceptor Body Armor. Army officials were not properly storing (six sites), shipping (three sites), and maintaining (two sites) the Enhanced Small Arms Protective Inserts. Army officials were also not properly maintaining the IBA vests (three sites) and did not develop repair guidance for the Improved Outer Tactical Vest and ESAPI.



The Army's visual and automated inspection process for ballistic plates should be improved. Army officials were not adequately identifying ESAPI with external material failures (six sites) or ESAPI specified for return (two sites) in accordance with guidance, and they were not x-raying ballistic plates as senior Army officials believed. Having a thorough, updated, standardized, and published inspection process should provide increased assurance that soldiers engaged in combat continue to have the required level of ballistic protection. (Report No. D-2010-027)

USING SYSTEM THREAT ASSESSMENTS IN THE ACQUISITION OF TACTICAL WHEELED VEHICLES

DoD IG determined that the Army and Marine Corps processes used to identify threats to tactical wheeled vehicles and communicate this information to program managers and the test communities were effective. As a result, program offices for seven Army and Marine Corps tactical wheeled vehicles that were deployed to Southwest Asia reacted to updated system threat assessments by incorporating armor into the vehicles' design.

Specifically, the program offices obtained updated threat assessments, modified their contracts to incorporate armor requirements in the vehicle design, and had the test community determine the suitability and effectiveness of the design changes made in response to the changing threat. Further, requirements organizations within the Army and Marine Corps were in the process of updating tactical wheeled vehicle capability documents to reflect the updated threat information and required updated capabilities. (Report No. D-2010-021)

DOD COUNTERMINE AND IMPROVISED EXPLOSIVE DEVICE DEFEAT SYSTEMS CONTRACTS - HUSKY MOUNTED DETECTION SYSTEM

The Husky Mounted Detection System is an improvised explosive device defeat system that uses ground penetrating radar attached to a Husky vehicle to detect and mark buried IEDs in Afghanistan. The Joint Improvised Explosive Device Defeat Organization funded \$172.5 million to the Army for the procurement of 80 Husky Mounted Detection Systems before determining if the system was operationally effective and suitable for use in Afghanistan. In addition, the U.S. Army did not contract for sufficient spare parts, resulting in the cannibalization of Husky Mounted Detection Systems to sustain fielded systems. The Joint Improvised Explosive Device Defeat Organization is assessing the operational effectiveness and suitability of the system. Further, the Army is modifying its contracts to include additional spare part quantities for the fielded systems and is working to procure additional spare parts through a new contract vehicle. (Report No. D-2010-032)

AFGHAN SECURITY FORCES

Critical to achieving U.S. national security objectives in Southwest Asia is developing increasingly self-reliant Afghan National Security Forces that can provide security for the Afghan people with reduced U.S. assistance. In support of this critical mission, DoD IG conducted the following audits and assessments.

DoD obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police. The DoS Civilian Police contract did not meet DoD's needs in developing the ANP to provide security in countering the growing insurgency in Afghanistan because the contract did not allow DoD to make rapid changes in ANP training as the security situation in Afghanistan changed. In 2006, the security situation in Afghanistan was more suitable for a civilian police force whose mission was to enforce laws. This contributed to DoD's decision to use the existing CIVPOL contract to train, mentor, and equip elements of the Afghanistan Ministry of Interior, which include the ANP. Since that time, the security situation in Afghanistan has changed significantly as the insurgency has grown. The current CIVPOL contract no longer meets DoD's needs in developing the ANP to provide security in countering the insurgency in Afghanistan.

ANP average monthly death rates have steadily increased in the last four years, from 24 in 2006 to 123 in 2009. As the insurgency threats escalated, the need for additional ANP personnel with enhanced combat skills increased. To address this, the ANP needed increased training capacity, changes to the training curriculum, and more police mentor teams to develop the new ANP forces. Because of these increases in violence and the rising death rates among ANP, CSTC-A leadership stated that the focus of ANP training should have included more counterinsurgency and tactical skills training, which more resemble military training than civilian police force training.

AFGHAN NATIONAL POLICE

Trainees stand in formation during the opening ceremony that marked the start of an extensive six-week course.



In March 2009, the President announced a comprehensive new strategy for Afghanistan, which included an emphasis on training and increasing the size of Afghan security forces. According to CSTC-A senior officials, to effectively train and mentor the new ANP members, DoD needed the authority to direct the contractor to construct new training facilities to accommodate the increases in ANP forces, develop a new security-focused curriculum, and mentor ANP members in combat tactics. The Chief of Mission stated that despite excellent coordination between the U.S. Embassy and CSTC-A, the lack of a single, unified chain of command has sometimes created confusion and unnecessary delays in enhancing the program. Under the current CIVPOL contract, DoD must coordinate any changes through INL, which delays implementation and hampers the ability of DoD and the ANP to quickly respond to the rapidly changing security environment. For example, the current MOA between DoS and DoD states that DoD must provide updated training requirements 120 days in advance; however, according to the INL personnel, on average, it took six months to fulfill these requirements. CSTC-A officials stated they believe new program requirements can be implemented faster if DoD has contractual authority and is not required to coordinate program changes through another agency. Efficiency is necessary in order to rapidly respond to the changing Afghanistan security environment. (Report No. D-2010-042)

ASSESSMENT OF THE U.S. AND COALITION EFFORTS TO DEVELOP THE MEDICAL SUSTAINMENT CAPABILITY OF THE AFGHAN NATIONAL SECURITY FORCES

DoD IG deployed an assessment team to Afghanistan in March 2009 that reviewed the status of the CSTC-A plans for developing the sustainment capability of ANSF, including the specific area of medical sustainment. The team evaluated whether recommendations from a previous report (Report No. SPO-2009-001) regarding developing and sustaining the ANSF health care system had been implemented and reviewed U.S. medical mentoring at health care facilities in the capital, Kabul, as well as at regional ANSF medical sites.

During the assessment, the team noted that CSTC-A plans lacked a clearly defined end-state goal for the development of the ANSF health care system, which had been fully agreed to and coordinated with the Afghan Ministries of Defense and Interior, and incorporated into their operations. As a result, U.S. military and ANSF resources were not being jointly focused, prioritized, and executed in support of the development of a clearly defined and sustainable ANSF health care system, and progress was thereby delayed.

Further, U.S. military medical mentors were not receiving adequate pre-deployment training that concentrated on the specialized knowledge and situational awareness they required. They were insufficiently prepared to carry out their duties and responsibilities once deployed, which limited their effectiveness and progress in accomplishing the mission to develop ANSF medical sustainability.

AFGHAN NATIONAL SECURITY FORCES

U.S. soldiers and Afghan National Security Forces on patrol.



CSTC-A did not provide necessary guidance and support for medical mentor teams during their tours, a problem exacerbated by not having clearly defined end state objectives for their respective mentoring contributions. This limited mentoring team effectiveness and contributed to inconsistency in performance.

Since the assessment visit, CSTC-A has taken significant actions to address these issues. Specifically, CSTC-A has:

- Assisted the Ministries of Defense and Interior, as well as the Afghan National Army and Afghan National Police Surgeons General, in developing and defining key aspects of the ANSF health care system, including: end-state goals and objectives; health care development strategies; required resources; standards of care; performance metrics, accountability methodologies; and progress milestones.
- Defined its priority end-state goal as ANSF ability to provide clinical and health care support services to the ANSF warfighter. Additionally, it focused the medical mentor mission on assisting in the development of this capability for the ANSF, e.g., combat medic care of battlefield injuries, casualty evacuation, trauma surgery, surgical nursing, surgical intensive care, preventive medicine, disease/non-battle injuries, and trauma rehabilitation.
- Issued guidelines for pre-deployment medical mentor training for U.S. military personnel assigned to Afghanistan. The guidelines have been converted into a systematic training program tailored for medical mentors destined for Afghanistan.
- Developed an in-country medical mentor training program incorporating: focused initial medical mentor orientation upon arrival in-country; a mentor training handbook; an action plan for each mentor team; and continuous monitoring and support for mentor teams throughout their tours, including application of metrics to measure their progress.

Finally, in coordination with North Atlantic Treaty Organization/International Security Assistance Force and the U.S. mission to Afghanistan, CSTC-A should consider developing a comprehensive plan that synchronizes and integrates all aspects of U.S. government interagency efforts towards ANSF health care system development. In addition, this proposed U.S. government planning should extend to the roles, responsibilities and actions of related capacity-building efforts by other international forces. (Report No. SPO-2010-001)

DRAWDOWN IN IRAQ

Providing adequate oversight support to the drawdown of forces in Iraq is a critical area for DoD IG. The U.S. government's stated goal is to withdraw combat forces from Iraq by August 31, 2010. Transportation and asset accountability are two essential elements supporting the effective and efficient withdrawal of combat forces in Iraq. For more than six years, DoD, its coalition forces, and supporting contractors have been deploying to Iraq and surrounding areas to support Operation Iraqi Freedom. Ultimately, thousands of pieces of equipment valued in the billions needs to be accounted for and either left in place or transported elsewhere in theater or to a location out of theater. Choices include providing the goods and equipment to the government of Iraq for its use or coalition members for their use, resetting equipment for use in Afghanistan, or returning the equipment to DoD inventory points. DoD IG oversight in Southwest Asia includes assessing various transportation and asset accountability matters.

ASSET ACCOUNTABILITY

DoD IG is reviewing intra-theatre transportation planning.



TRANSPORTATION PLANNING FOR THE WITHDRAWAL OF DOD PERSONNEL AND ASSETS

During this reporting period, DoD IG issued its report on U.S. Transportation Command's and U.S. Central Command's planning activities for the withdrawal of combat troops from Iraq by August 31, 2010. DoD IG found that the efforts by USTRANSCOM and USCENTCOM had produced a plan that was a reasonable representation of the transportation needs that had been defined at that point. However, many of the transportation needs had not been defined and pending decisions related to Afghanistan had not been made. (Report No. D-2010-025)

Current ongoing DoD IG transportation reviews include assessing the intra-theater transportation planning, capabilities, and execution for the drawdown from Iraq and reviewing the air cargo transportation contracts in support of Operation Iraqi Freedom and Operation Enduring Freedom.

ASSET ACCOUNTABILITY

DoD IG currently has several ongoing audits regarding asset accountability. Specifically, DoD IG is reviewing DoD's plan for the drawdown and reset of property in Iraq using "Operation Clean Sweep," which is DoD's plan for the retrograde of excess materiel in Iraq, to determine whether roles, responsibilities, and lines of reporting are clearly defined and documented; whether the plans comprehensively address issues including property accountability, visibility, reset, and return; and whether the plan was properly executed.

DoD IG is also reviewing the controls over the accountability and disposition of government-furnished property in Iraq. Specifically, DoD IG is determining whether DoD properly accounted for government-furnished

property, whether policies and procedures exist for the proper transfer, reset, or disposal of government-furnished property, and whether those policies and procedures are being executed adequately.

An additional project is focusing on management of operations in the Theater Retrograde, Camp Arifjan, Kuwait. DoD IG is determining whether adequate policies and procedures are in place at the Retro Sort, General Supply Warehouse, and Theater Redistribution Center for proper reutilization and disposition of equipment. DoD IG is determining whether adequate resources are available to effectively process the current and anticipated volume of equipment at the Theater Retrograde during the drawdown of U.S. forces from Iraq.

Lastly, for ongoing asset accountability projects, DoD IG is reviewing controls over the disposition of equipment at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait. Specifically, DoD IG is evaluating whether adequate policies, procedures and controls are in place to ensure the proper receipt, inspection, coding, and disposition of equipment at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait.

FRAUD AND CORRUPTION

DCIS has committed resources and special agents to Overseas Contingency Operations since the beginning of the war in Iraq and Afghanistan. Due to the magnitude and scope of alleged criminal activity relating to Overseas Contingency Operations, DCIS has made criminal investigations of contract fraud and corruption related to U.S. operations and reconstruction efforts in Iraq and Afghanistan an agency priority.

AFGHANISTAN

DCIS special agents at Camp Eggers, Kabul, Afghanistan.



DCIS currently deploys special agents to Kuwait, Iraq, and Afghanistan to investigate matters involving bribery, theft, procurement fraud, illegal receipt of gratuities, kickbacks, bid-rigging, defective and substituted products, and conflicts of interest. DCIS presence in the region has identified corrupt business practices, loss of U.S. funds through contract fraud, and theft of critical military equipment destined for coalition forces in Southwest Asia. To maximize in-theater investigative resources, DCIS attempts to transfer investigations developed in Southwest Asia to an appropriate continental United States venue as soon as practical for appropriate adverse action.

The following investigations highlight DCIS efforts in countering fraud and corruption in Southwest Asia. DCIS conducts all Southwest Asia fraud investigations in cooperation with the International Contract Corruption Task Force. The casework and results are shared among the members.

FORMER DOD CIVILIAN RECEIVES 110 MONTHS IN PRISON ON TAX CHARGES

A former DoD civilian employee was sentenced to 110 months in prison and ordered to pay a \$1.6 million fine after he was convicted of filing false tax returns in which he failed to report more than \$2.4 million in income. The employee, a former resident of Kuwait City, Kuwait, and dual U.S./Ghanaian citizen, admitted he failed to report \$2.4 million in taxable income while serving at Camp Arifjan, Kuwait, as a DoD contracting officer from 2002 until 2007. He also admitted he failed to report his ownership interest in foreign bank accounts in Ghana, Switzerland, the Jersey Channel Islands, the Netherlands, and the United Kingdom. These accounts were used to help conceal his unreported income, and to send and receive wire transfers totaling more than \$3.5 million.

AUSTRALIAN MAN PLEADS GUILTY TO SOLICITING KICKBACKS

In November 2009, an Australian man pleaded guilty for his role in a scheme to solicit kickbacks in connection with the award of a private security services subcontract to protect U.S. government personnel and contractors in Afghanistan. In August 2006, USAID (primary investigative agency) awarded a \$1.4 billion contract known as the Afghanistan Infrastructure Rehabilitation Project. The project contract required the award of numerous subcontracts, including the provision of security services to protect project workers. From at least February 2009 until his employment was terminated in June 2009, the subject worked in Kabul, Afghanistan, as a country security coordinator for the project prime contractor. He conspired with a second subject and others to solicit kickbacks from private security vendors in return for favorable treatment for those potential bidders for one or more subcontracts. The subcontracts provided private security services to protect USAID personnel and contractors in Afghanistan operating under the Afghanistan Infrastructure Rehabilitation Project contract.

\$1.8 MILLION REPAYMENT DEMAND LEVIED ON FOREIGN CONTRACTORS IN AFGHANISTAN

In October 2009, DCIS Kabul Resident Agency initiated an investigation into allegations that an Afghanistan company stole construction equipment valued at \$102,000 from a project site in Mazar-e-Sharif, Afghanistan, failed to pay its subcontractors in excess of \$1.2 million for work performed, and fraudulently billed the U.S. Army Corps of Engineers for spare parts never received in excess of \$555,807. USACE previously awarded the company a contract for \$12,637,657 for the building of an Afghan National Police site. The investigation determined that the company entered into a joint venture agreement with a South Korean construction company to complete this task. In February 2010, in accordance with the FAR, USACE notified the two companies that the government considers them indebted to it for \$1,881,877.

KUWAIT

The Army Area Support Group-Kuwait maintains an off-post housing office in downtown Kuwait City.



OFFICIAL CHARGED WITH BRIBERY IN KUWAIT OFF-POST HOUSING SCHEME

In February 2010, a U.S. Army contracting official was charged with bribery and unlawful salary supplementation in connection with two schemes to solicit more than \$30,000 in bribes from an Egyptian businessman in Kuwait. The contracting official was assigned to the U.S. Army Area Support Group-Kuwait, which is responsible for maintaining Camp Arifjan, a U.S. military installation providing support for operations in Afghanistan, Iraq, and other locations in the Southwest Asia theater. Therefore, the Army Area Support Group-Kuwait maintains an off-post housing office in downtown Kuwait City that procures, leases, and supervises off-post housing for government employees and military service members stationed at Camp Arifjan. The official was a housing specialist responsible for supervising private contractors and procuring off-post apartment rentals. The official allegedly solicited a monthly fee from the Egyptian businessman in return for the official's agreement to provide preferential treatment and advice to the Egyptian businessman's company on the performance and renewal of the contract. The official also solicited a monthly payment from the Egyptian businessman in exchange for drafting and submitting an inflated off-post apartment lease to the United States for approval.

KUWAITI COMPANY INDICTED FOR MASSIVE OVERCHARGING

During November 2009, a logistics company organized under the laws of the Nation of Kuwait was indicted by a federal grand jury in the Northern District of Georgia on multiple charges of conspiring to defraud the United States, committing major fraud against the United States, making false statements, submitting false claims, and committing wire fraud. All of the charges concern multi-billion-dollar contracts issued by DoD for feeding American troops in Iraq, Kuwait, and Jordan. The company offered proposals and was awarded prime vendor contracts. The company has been paid more than \$8.5 billion for the contracts.

SOUTHWEST ASIA CONTRACTS

DoD IG continues to provide oversight of DoD's contract administration and oversight for contracts supporting the Department's overseas contingency operations. During this reporting period, DoD IG oversight included a joint audit with DoS IG regarding the program for training the Afghanistan National Police, withholding of funds on the LOGCAP III contract, contracts for M2 machine gun spare parts, contracting for tactical vehicle field maintenance, and the management of nontactical vehicles in support of OIF.

DOD OBLIGATIONS AND EXPENDITURES OF FUNDS PROVIDED TO THE DEPARTMENT OF STATE FOR THE TRAINING AND MENTORING OF THE AFGHAN NATIONAL POLICE

DoD IG, in conjunction with DoS OIG, conducted this audit in response to a congressional request. The objective was to review the status of Afghanistan Security Forces funds that DoD provided to DoS for the training of the Afghan National Police, the contract management activities, and the ability of the ANP training program to address the security needs for Afghanistan.

DoD IG found that the DoS Civilian Police Program contract does not meet DoD's needs in developing the ANP to provide security in countering the growing insurgency in Afghanistan. DoS and DoD agreed to have DoD assume contractual responsibility for the primary ANP training program, which includes Regional Training Centers, basic ANP training, mentoring within the Afghan Ministry of Interior, and the DoD police mentor teams embedded in ANP units in districts throughout Afghanistan. Internal control weaknesses in DoS contract oversight for the ANP training program were also identified.

AFGHAN NATIONAL POLICE

U.S. soldiers provide training to the Afghan National Police.



The Department of State did not:

- Maintain adequate oversight of government-furnished property.
 - Maintain contract files as required by the Federal Acquisition Regulation.
 - Always match goods to receiving reports.
 - Follow internal control procedures requiring in-country contracting officer's representatives to review contractor invoices to determine if the costs were allowable, allocable, or reasonable prior to payment and validate deliverables.
- The team was unable to determine if DoS expended Afghanistan Security Forces funds provided by DoD in accordance with congressional intent. The team also identified \$80 million in potential monetary benefits and found that DoS and

DoD have not provided enough resources to adequately train members of the Afghan Women's Police Corps.

Combined Security Transition Command-Afghanistan should clearly define the requirements for the ANP training program, establish contractor performance standards that will meet those requirements, direct the contracting officer for the new DoD contract to assign sufficient contracting officer's representative staff, and implement effective contractor oversight procedures.

The Bureau of International Narcotics and Law Enforcement Affairs should request audit support from the Defense Contract Audit Agency and request refunds of any incorrect costs.

Finally, CSTC-A, in coordination with INL, should increase the resources devoted to developing the Afghan Women's Police Corps. (Report No. D-2010-042)

REVIEW OF ARMY DECISION NOT TO WITHHOLD FUNDS ON THE LOGISTICS CIVIL AUGMENTATION PROGRAM III CONTRACT

DoD IG performed a review in response to a Senate Armed Services Committee request and found that two commanding generals postponed the withholding of funds on the LOGCAP contract, in noncompliance with the Federal Acquisition Regulation. The decision was influenced by contractor claims that withholding funds might adversely affect vital support services provided to the troops. The Army's FAR deviation request for waiving the withhold requirement did not include complete or accurate information. The review did not find sufficient evidence to substantiate allegations that two contracting officials' efforts to withhold funds were the basis for their reassignments.

The report recommended that the Army Materiel Command develop quality assurance procedures for requesting FAR deviations, for developing contingency plans associated with the continuation of essential DoD contractor services, for ensuring compliance with all contract clauses, and for improving its policies and procedures for reassigning employees. In addition, the Army Materiel Command should take corrective actions for the unauthorized decision not to enforce applicable FAR requirements concerning payments of allowable costs before definitization. (Report No. D-2010-6-001)

DEFENSE LOGISTICS AGENCY CONTRACTS FOR M2 MACHINE GUN SPARE PARTS IN SUPPORT OF OPERATIONS IN SOUTHWEST ASIA

DoD IG determined that the Defense Logistics Agency did not use effective contracting procedures to provide customers with critical application M2 machine gun parts related to contract quality assurance, product quality deficiency report processing, spare part kit assembly, and oversight contractor deliveries. Specifically:

- Contractors provided at least 7,100 nonconforming parts on 24 contracts.
- DLA did not adequately process 95 of 127 product quality deficiency reports.
- DLA did not deliver 60 spare part kits on time to support a U.S. Army program to overhaul 2,600 M2 machine guns and provided nonconforming parts in kits.
- DLA did not pursue adequate compensation from contractors who were significantly late in providing critical parts on 49 contracts.

As a result:

- Warfighters had to wait for critical M2 machine gun parts as DLA had backorders on 7,183 requisitions for 60,701 parts during a 12-month period.
- A U.S. Army program to overhaul M2 machine guns was negatively impacted.
- DLA missed opportunities to identify contractors with performance problems and obtain adequate compensation.
- The government spent at least \$655,000 in funds that could have been put to better use.
- DLA missed an opportunity to obtain approximately \$405,000 in contractor compensation for late deliveries.

DLA has initiated several corrective actions to improve the quality of M2 machine gun parts. (Report No. D-2010-035)

CONTRACTING FOR TACTICAL VEHICLE FIELD MAINTENANCE AT JOINT BASE BALAD, IRAQ
DoD IG review of DoD's contracting for tactical vehicle field maintenance at Joint Base Balad, Iraq, disclosed that the yearly utilization rate of the contractor ranges from a low of 3.97 percent to a high of 9.65 percent when the Army utilization requirements were at least 85 percent. The Army was not providing the appropriate oversight to determine why the contractor utilization rate was so low. As a result, about \$4.6 million of the \$5 million in costs incurred by DoD for tactical vehicle field maintenance services were not required. (Report No. D-2010-046)

MANAGEMENT OF NONTACTICAL VEHICLES IN SUPPORT OF OPERATION IRAQI FREEDOM
Although Multi-National Force-Iraq and Multi-National Corps-Iraq implemented some corrective actions to strengthen controls over NTV management, further actions are needed to improve the accountability of NTVs, as well as management of the size and distribution of the NTV fleet. Plans to decrease the U.S. presence in Iraq highlight the need to improve visibility of NTVs.

DoD IG estimated General Services Administration NTVs cost about \$70 million to purchase and all 9,793 NTVs in the fleet cost about \$109.8 million annually to lease and maintain. However, NTV records were unreliable for making NTV allocation and distribution decisions. For example, 3,854 GSA NTVs (about 74 percent) were not accounted for properly. In addition, 531 GSA NTVs (about 10 percent) were not accounted for at all. These vehicles cost \$11.4 million to acquire and \$5.3 million annually to lease and maintain.

JOINT BASE BALAD, IRAQ

DoD IG reviewed tactical vehicle field maintenance.



Without accurate NTV records, DoD cannot make effective decisions regarding the NTV fleet. MNF-I policy did not establish a standard procedure for NTV registration to ensure NTV records were accurate. In addition, MNF-I and MNC-I did not have a centralized strategy to identify and manage NTV requirements or acquisitions. Appointing an NTV program manager and centralizing these processes will help identify long-term requirements and help acquire NTVs using the most cost-effective approach. Centralization may also improve contract administration of local leases because NTV managers, who register and report NTVs, could act as contracting officer's representatives. Centralizing NTV management will also facilitate acquisition of more NTVs per contract than decentralized processes, which typically fill individual requirements. Decreasing the number of contracts should improve the contract file deficiencies that were identified. (Report No. D-2010-022)

INFORMATION OPERATIONS

As part of the U.S. government's integrated civilian-military efforts to interact effectively with a variety of audiences and stakeholders, DoD strives to improve key capabilities that support strategic communication. The need to expand electronic warfare capabilities and enhance intelligence and information operations capabilities support flexible and effective forces for today's fight and contribute to the readiness of operations across the full range of military operations. Accordingly, DoD IG continues its oversight of information operations, including support to operations in Southwest Asia.

IRAQ

DoD IG, at the request of the Commander, U.S. Central Command, issued a series of three reports concerning information operations in Iraq. The first two reports focused on the effectiveness of contracts used for information operations while the third report determined the process for establishing psychological operations requirements and identified resources applied against those requirements. DoD IG identified the universe of information operation contracts in Iraq from FY 2006 through FY 2008. The U.S. Central Command used 172 contract vehicles for information operations in Iraq totaling \$270.1 million from FY 2006 through FY 2008. Additionally, DoD IG determined that one contract combined psychological operations and public affairs requirements and overall, the contracting process resulted in a contract vehicle that was not optimal and may not meet initial psychological operations requirements or user needs.

INFORMATION OPERATIONS

Tactical Psychological Operations soldiers assess living conditions and possible violent threats from insurgents in Al Qurna, Iraq.



INFORMATION OPERATIONS IN IRAQ

DoD IG issued the third report in the series on January 21, 2010. The overall objective of the audit was to evaluate information operations activities in support of Operation Iraqi Freedom. Specifically, DoD IG determined the process for establishing psychological operations requirements and identified resources applied against those requirements. DoD IG conducted a site visit to the Joint Psychological Operations Task Force, Qatar; Multi-National Force-Iraq; Multi-National Corps-Iraq; and Multi-National Division-Baghdad, Iraq, from May 19 through June 3, 2009. The specific details of the report are classified and can be found in the classified annex to the Semiannual Report. (Report No. D-2010-033)

AFGHANISTAN

DoD IG is continuing its review of information operations. DoD IG started an audit reviewing the information operations in Afghanistan. The objective of this audit is to evaluate the ability of U.S. Central Command and U.S. Forces-Afghanistan to conduct information operations in Afghanistan and assess the support provided by DoD organizations that enable those commands to conduct information operations.

DoD PROGRAMS

HEALTH CARE

The DoD Military Health System must provide quality care for approximately 9.5 million beneficiaries within fiscal constraints while facing increased user demands, legislative imperatives, and inflation that make cost control difficult in both the public and private sectors. Because the Military Health System provides health care support for the full range of military operations, the DoD challenge is multiplied. The increased frequency and duration of military deployment further stresses the Military Health System in both the active and reserve components.

The DoD budget for health care costs is approximately \$50 billion in FY 2010, a 61 percent increase since FY 2005 (\$31 billion). Included in that amount is Overseas Contingency Operations supplemental funding of \$1.3 billion. The remaining FY 2010 supplemental request for DoD is in the process of being finalized for submission to Congress. In addition, the American Recovery and Reinvestment Act of 2009 provides \$0.4 billion for facilities sustainment, restoration, and modernization, and \$1.3 billion for construction of hospitals. Combating fraud is one aspect of containing health care costs. Increasing health care benefits also provides additional pressure to manage and contain costs.



The ability to support and develop the people in the Military Health System continues to be a challenge. Maintaining medical readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of operation and that the units have the necessary skills, equipment, logistics support, and evacuation and support capabilities. The challenge of keeping members of the reserves and National Guard medically ready to deploy continues because of the frequency and duration of deployments.

Strengthening comprehensive and integrated health care from accession through active service to rehabilitation and transition to Department of Veterans Affairs care is a major challenge for the Department. The number of wounded warriors associated with Southwest Asia and other such conflicts requires diligent management of health care resources. Another related challenge to force health protection and medical readiness is oversight of post-deployment health needs, including identifying and managing those requiring care.

Although the DoD and the VA identified a number of objectives and initiated appropriate programs, the quality and oversight of these programs must be diligently managed. Transitioning wounded, ill, or injured service members to post-deployment care will grow as a challenge while operations in Southwest Asia continue. The Department needs to improve the medical care and benefits transition program to achieve a streamlined, transparent, and timely process as wounded warriors move from the DoD system to the VA system.

Increased numbers of returning service members with psychological health issues and traumatic brain injuries, along with a shortage of uniformed and civilian mental health workers, will require examining automated screening tools and improved diagnostics to provide earlier detection and intervention. In addition, addressing the

psychological effects of deployment on family members and non-active duty personnel will continue to be a challenge.

Providing information to the appropriate people so they can make decisions that are more informed continues to be a challenge in the health care community. Along with the benefits of expanding automation efforts comes the increased risk to information security and privacy issues. The transition from paper to electronic patient records increases the risk that sensitive patient information could be compromised, highlighting the need for appropriate information assurance procedures. Maintaining information operations that ensure the protection and privacy of data will become increasingly challenging.

Implementing recommendations resulting from the 2005 Base Realignment and Closure process will continue to be a challenge. In addition to improving the readiness and cost efficiency associated with realigning base structure, a primary objective of the process was to examine and implement opportunities for greater joint activity among the military departments. Recapitalization of the physical infrastructure is a challenge. Military treatment facilities are aging and in need of reconstruction. Managing funds provided by the American Recovery and Reinvestment Act of 2009 for facilities sustainment and construction will also be a concern.

INSPECTION OF THE ARMED FORCES RETIREMENT HOME

DoD IG conducted this inspection in response to Public Law 110-181, the “National Defense Authorization Act for Fiscal Year 2008,” which mandated that it conduct an inspection of the Armed Forces Retirement Home. The AFRH has two campuses, one in Washington, D.C., and the other in Gulfport, Mississippi; however, due to the destruction of the Gulfport campus during Hurricane Katrina, the team limited its inspection to the management and facilities associated with the AFRH in Washington, D.C.

ARMED FORCES RETIREMENT HOME

Master Chief Petty Officer of the Navy meets with residents at the Armed Forces Retirement Home in Washington, D.C.



The inspection objectives were to perform a comprehensive inspection of all aspects of AFRH, including Senior Management, Admissions/Eligibility, Facilities Engineering and Safety, Information Security, Recreation Services (Resident Services), Human Resources Management, Contracting, Security, Physical Therapy, Dental Care, Pharmacy Operations, Disposition of Effects, Hotline Activity, Voting, and Finance. During the inspection, the team found AFRH to be well managed, and the residents as well as the staff were pleased to be affiliated with AFRH.

However, DoD IG noted several areas where focused management attention would enhance and improve the AFRH programs, operations, and material condition of facilities. The current statutory language germane to AFRH is vague, confusing, and in some areas seemingly contradictory – resulting in uncertainty as to applicable governance directives and AFRH compliance requirements.

Further, DoD IG noted that the evolution of the legislation impacting AFRH has resulted in the duplication of assessment and inspection mandates on multiple agencies and advisory entities associated with the AFRH. In reviewing compliance with these inspection and assessment mandates, DoD IG concluded that neither the AFRH Senior Medical Advisor (Deputy Director, TRICARE Management Activity) nor the AFRH Local Board of Trustees were currently providing the level of advice and oversight expected from their respective roles. (Report No. IE-2010-002)

EVALUATION OF DOD SEXUAL ASSAULT RESPONSE IN OPERATIONS ENSURING AND IRAQI FREEDOM AREAS OF OPERATION

In response to a request from more than 100 members of Congress, DoD IG evaluated DoD policies for receiving, processing, and reporting sexual assaults occurring in OEF/OIF and found that they address only active duty Service members and other individuals authorized treatment in a Military Medical Treatment Facility, and do not address other categories of personnel, such as DoD civilian and contractor personnel who deploy with military forces. With eligibility for treatment determined by the military services, this lack of program guidance was remedied by deployed commanders implementing local procedures to care for all sexual assault complainants. DoD IG recommended the Under Secretary of Defense (Personnel and Readiness) establish policy to provide an immediate response by trained personnel for all sexual assaults involving U.S. personnel reported to military medical treatment facilities. DoD IG also recommended the Sexual Assault Prevention and Response Program Office of USD(P&R) develop a data system to record relevant data on sexual assault cases involving U.S. civilian and contractor personnel. (Report No. IPO-2010-E001)

EVALUATION OF DOD CONTRACTS REGARDING COMBATING TRAFFICKING IN PERSONS

DoD IG conducted this evaluation in response to Public Law 110-457, the “William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008.” The objective of the evaluation was to evaluate a sample of contracts where there is a heightened risk that a contractor may engage in acts related to trafficking in persons. DoD IG reviewed contracts covering areas of heightened risk for trafficking in persons and selected the Republic of Korea, Japan, and the Territory of Guam for the evaluation.

DoD IG found that the DoD and other federal law enforcement criminal activity databases had no effective mechanism to track trafficking in persons incidents, but a federal law enforcement advisory policy group is considering this issue. Further, half of the contracts sampled either did not contain the Combating Trafficking in Persons clause, or were modified to include the clause just prior to DoD IG site visits. In addition, the Standard Procurement System contract building software allowed for deletion of the mandatory Combating Trafficking in Persons clause. Finally, contracting officers lacked an effective process for obtaining information concerning trafficking in persons violations. (Report No. IE-2010-001)

ACQUISITION AND CONTRACTING

The Department continued to face serious acquisition and contracting challenges in FY 2009 even as contract spending decreased almost seven percent from FY 2008. In 2008, DoD spent more than \$392 billion through contracts. In 2009, spending had decreased to \$366 billion, yet still accounted for almost 70 percent of total federal contract spending. One of the most serious challenges facing the Department in recent years is quality assurance and contract oversight. DoD IG found a wide range of problems with quality assurance and contract oversight, especially in contingency operations where the pace of contracting was often accelerated. DoD IG also found problems with rapid acquisitions when the usual stringent testing that reduced risk of procuring products had not been performed and with systems that failed to meet requirements. However, DoD IG found that the Department was having some success in adjusting to the pattern of larger, faster spending that DoD has experienced since the start of the war efforts.

RECAPITALIZATION AND ACQUISITION OF LIGHT TACTICAL WHEELED VEHICLES

DoD IG found that the project manager for tactical vehicles planned to acquire 11,500 Next Generation Expanded Capability Vehicles at an estimated cost of \$3.84 billion without establishing the program as a new start acquisition program, planning to conduct full and open competition, and determining the ECV2's capabilities compared to those of current and planned light tactical wheeled vehicles. DoD IG also found that the Under Secretary of Defense for Acquisition, Technology, and Logistics was not informed, as required, of this acquisition. The project manager risked procuring a vehicle that duplicated existing capabilities and had vulnerabilities that other vehicles were being procured to mitigate. During the audit and after the discussions, the project manager decided to stop the ECV2 Program because the Army Deputy Chief of Staff (G-8) decided not to invest in it. As a result of the audit, the Army put the \$3.84 billion in Other Procurement, Army funding to better use from FY 2010 through FY 2013.

LIGHT TACTICAL VEHICLES

A lineup of high mobility multipurpose wheeled vehicles.



On November 20, 2009, the USD (AT&L) designated the high mobility multipurpose wheeled vehicle program an Acquisition Category IC major Defense acquisition program. USD(AT&L) also required the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) to notify the USD(AT&L) if the Army plans to procure a new model or variant of the HMMWV. (Report No. D-2010-039)

RAPID ACQUISITIONS AND FIELDING OF MATERIEL SOLUTIONS BY THE NAVY

DoD IG found that the Navy had adequate procedures for identifying and validating urgent capability needs and was following procedures for rapid acquisitions and fielding of materiel solutions. However, DoD IG determined that the Navy needed to improve its internal controls in certain areas. Navy program executive officers, through their approval of rapid acquisition strategies, did not attempt to control initially procured quantities to mitigate the risks of procuring large quantities of not fully proven material solutions. Controls over initially procured quantities were needed to prevent significant acquisitions of equipment whose operational performance was not known.

DoD IG also determined that the Assistant Secretary of the Navy (Research, Development, and Acquisition) did not provide specific guidance or lessons learned for planning and executing acquisition strategies for fulfilling urgent needs requests. Acquisition managers need this specific guidance and institutional knowledge to facilitate the timely and effective planning and execution of urgent needs acquisitions. Navy program sponsors did not request that the Commander, Operational Test and Evaluation Force, perform quick reaction assessments of materiel solutions designated as rapid development and deployment efforts. The quick reaction assessments were required to provide an independent early evaluation of the operational effectiveness and suitability of materiel solutions before the solutions were deployed. (Report No. D-2010-028)

ACQUISITION DECISION MEMORANDUM FOR THE DEFENSE INTEGRATED MILITARY HUMAN RESOURCES SYSTEM

Since 2003, DoD had spent about \$800 million developing the Defense Integrated Military Human Resources System. In April 2009, because of schedule delays and the results of system acceptance testing, the Under Secretary of Defense for Acquisition, Technology, and Logistics outlined four options for the future development of the system in an acquisition decision memorandum. Under Option 1, DoD would develop the system as originally planned a single integrated military personnel and pay system. The other three options required the development of four systems (one for DoD data and one each for the Army, Air Force, and Navy). The April acquisition decision memorandum required the Director, Acquisition Resources and Analysis, to lead a team to develop a business case analysis. On September 8, 2009, the USD(AT&L) selected an option that would allow the Army, Navy, and Air Force to develop separate systems and for the Marine Corps to continue using the Marine Corps Total Force System. However, at the time USD(AT&L) made this decision, the lifecycle cost associated with each alternative had not been determined. Although the decision stated that cost differences were not the determining factors in selecting the best course forward, cost estimates rose from \$1.7 billion in December 2008 to an estimated \$16.1 billion for the alternative selected in September 2009. DoD IG determined that the draft BCA did not detail or fairly represent the specific variable costs associated with the various alternatives. In addition, the selection of service-level integrated personnel and pay systems may increase governance risk and overall technical complexity of DIMHRS for DoD. Without a complete analysis of all alternatives, DoD could incur excessive costs and still not achieve the intent of the Defense Integrated Military Human Resources System initiative, which was “a single integrated military personnel and pay system.” (Report No. D-2010-041)

CONTRACTED ADVISORY SERVICES FOR THE U.S. ARMY FUTURE COMBAT SYSTEMS

DoD IG determined that the director of Operational Test and Evaluation used the company Science Applications International Corporation as its primary commercial contractor for advisory and assistance services since 1999 even though SAIC and The Boeing Company serve as lead system integrators for system development and demonstration of the U.S. Army Future Combat System. DOT&E in the solicitation and contract provisions for DOT&E’s requirements explicitly stated that offerors and providers were excluded from this contract that have significant involvement in development of DoD systems that are under, or will be under DOT&E oversight. SAIC contended that the SDD contract was a systems integration contract, not a development (supply-the-system or maintain-the-system) contract; however, total contract expenditures through December 31, 2007, of \$11.4 billion are from the Research, Development, Test, and Evaluation appropriation. DoD IG also found that DOT&E, the FCS Program Office, and the Army test agencies frequently used the same contractors for advisory and assistance services that were developing the FCS. Furthermore, DoD IG found that in FY 2007, SAIC and four other services contractors received about \$91 million in funding for advisory and assistance services even though these contractors were involved in the SDD efforts for the FCS. DOT&E and the Army did not exercise the good judgment and sound discretion needed to prevent the existence of conflicting roles that might bias a contractor’s judgment or provide it an unfair competitive advantage. DoD IG commended the contracting officer for the U.S. Army Test and Evaluation Command for taking swift action during the audit to delete the FCS-related tasks from its contract after concluding that SAIC had statutory organizational conflicts of interest regarding those tasks. (Report No. D-2010-024)

COST INCREASES RELATED TO THE PRODUCER PRICE INDEX FOR TITANIUM MILL SHAPES ON DOD MULTIYEAR CONTRACTS

DoD IG determined that economic price adjustments related to titanium materials on the Navy F/A-18 E/F contract generally corresponded with increased costs incurred by the contractor. However, DoD did not have effective internal controls over the use of the Bureau of Labor Statistics producer price index for titanium mill shapes in DoD

ECONOMIC PRICE ADJUSTMENTS

DoD IG reviewed economic price adjustments related to titanium materials on the Navy F/A-18 E/F contract.



multiyear contracts with an economic price adjustment clause. For example, the index was outdated, too narrow, and not transparent to its users, thus causing DoD contracts using the index to be affected by extreme market volatility. DoD IG also determined that DoD had not effectively mitigated its risk for titanium material price increases on Defense aerospace weapons systems. The market prices had increased from \$5.35 per pound in 2004 to as high as \$34.54 per pound in 2006. DoD was subject to this market volatility because it does not have a strategic purchasing program for titanium. DoD IG recommended that the Director, Defense Procurement and Acquisition Policy, determine whether it is appropriate to use a narrow index such as the Bureau of Labor Statistics producer price index for titanium mill shapes in economic price adjustment clauses on DoD multiyear contracts or whether it is more effective to develop an economic price adjustment methodology based on published market prices. The Director agreed with our recommendation. (Report No. D-2010-004)

JOINT CIA IG – DOD IG AUDIT OF A SPECIAL ACCESS PROGRAM ACQUISITION

Refer to the Classified Annex of this Semiannual Report for more details.

THE NATIONAL ASSESSMENT GROUP

DoD IG determined that the National Assessment Group was effectively following all DoD directives, policies and guidelines pertinent to its mission. DoD IG reviewed the budgeting and finance procedures, contracting procedures, information technology security, and security procedures. The director, National Assessment Group agreed with the recommendations. (Report No. 10-INTEL-02)

INVESTIGATION OF HOTLINE ALLEGATIONS INVOLVING THE DOD JOINT INTELLIGENCE OPERATION CENTER

DoD IG conducted an investigation into allegations that arose from a Hotline complaint. These allegations included inappropriate sole-source contracting, misappropriation of Joint Intelligence Operation Center funds inappropriately used to rent and modify an off-base facility, and an unethical relationship between a general officer and a specific company. All of the allegations were unsubstantiated. (Report No. 10-INTEL-03)

FINANCIAL MANAGEMENT

DoD IG is working closely with the Department to address long-standing financial management challenges and to support the Department's goal of achieving a favorable audit opinion for the agency-wide financial statements and the major components. Over the last six months, DoD IG has continued to provide oversight and address the Department's challenges in the areas of financial management and the American Recovery and Reinvestment Act of 2009.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer issued the DoD Financial Improvement and Audit Readiness Plan as part of an initiative to improve financial management within the Department. DoD IG supports the objective of the plan, which is to provide ongoing, cross-functional collaboration with DoD components to yield standardized accounting and financial management processes, business rules, and data that will provide a more effective environment to better support the warfighting mission. DoD IG also supports the Department's ongoing efforts to target achievable, incremental change and to initiate the change necessary for continual, sustainable improvement in financial management.

FINANCIAL STATEMENTS

DoD IG issued 12 opinions and other related reports on internal controls and compliance with laws and regulations on the FY 2009 DoD Agency-wide financial statements, and on seven other component FY 2009 financial statements. Nine of those opinions were required by the Office of Management and Budget. DoD IG conducted or oversaw audits of the remaining three financial statements (Marine Corps General Fund, Marine Corps Working Capital Fund, and Medicare-Eligible Retiree Health Care Fund) because those statements represent material portions of the Office of Management and Budget-required financial statements audits. Due to the limitations on the scope of work, DoD received a disclaimer audit opinion. On the DoD-wide financial statement, DoD IG also identified 13 material weaknesses within DoD:

- Financial Management Systems
- Fund Balance with Treasury
- Accounts Receivable
- Inventory
- Operating Materials and Supplies
- General Property, Plant, and Equipment
- Government-Furnished Material and Contractor-Acquired Material
- Accounts Payable
- Environmental Liabilities
- Statement of Net Cost
- Intergovernmental Eliminations
- Other Accounting Entries
- Reconciliation of Net Cost of Operations to Budget

Of these 13 material weaknesses, 11 have been identified since FY 2003; Accounts Payable and Accounts Receivable have been identified since FY 2006 and FY 2007 respectively.

DoD IG conducted several financial-related audits. DoD IG audits focused on providing insight and valuable recommendations to managers as they prepare for audit readiness. DoD IG covered areas including commercial and miscellaneous payments, contracts in support of overseas contingency operations, and whistleblower allegations of violation of the Economy Act.

INTERNAL CONTROLS OVER UNITED STATES MARINE CORPS COMMERCIAL AND MISCELLANEOUS PAYMENTS PROCESSED THROUGH THE DEPLOYABLE DISBURSING SYSTEM

DoD IG found that internal controls over Marine Corps payments processed through the Deployable Disbursing System were not adequate to ensure the reliability of the data processed. Specifically, DoD IG found that the Marine Corps did not properly authorize at least 9,675 payment vouchers, totaling \$310.4 million; separate authorization and payment duties; adequately control access because it used 28 multiple-user and generic-user accounts to circumvent controls and process \$52.7 million in payments; and maintain a centralized database of Deployable Disbursing System transactions. DoD IG also found that the Defense Finance and Accounting Service did not design the system to capture the audit trail for key payment information or provide sufficient functionality for management to readily review and monitor access and usage. DoD IG determined that the Marine Corps made 32 duplicate payments, totaling \$2.5 million, which require recovery from the recipients. (Report No. D-2010-037)

DEFERRED MAINTENANCE AND CARRYOVER ON THE ARMY ABRAMS TANK

DoD IG determined that the Army did not defer depot maintenance on its Abrams tanks in FY 2008. However, the internal controls applicable to the carryover process were not adequate. DoD IG also determined that the Army provided inadequate justification to obtain a waiver from the Director for Revolving Funds, Under Secretary of Defense (Comptroller)/Chief Financial Officer to report carryover of \$346 million of FY 2008 funding to subsequent fiscal years, and the Director for Revolving Funds, Under Secretary of Defense (Comptroller)/Chief Financial Officer did not properly validate the Army's request and approved the waiver. The waiver precluded scrutiny and possible cancellation, reprogramming, or reduction in future budgets by the remaining \$275 million scheduled for carryover from FY 2009.

DEPOT MAINTENANCE

DoD IG reviewed maintenance on the Army Abrams Tank.



The Army may have violated provisions of the Antideficiency Act by obligating \$107.2 million in FY 2008 Operations and Maintenance appropriations to complete FY 2009 workload. In addition, DoD IG determined that the Army internal controls applicable to the reporting of deferred maintenance amounts were not adequate. The FY 2008 Army Annual Financial Statements reported \$116.8 million of unfunded deferred depot maintenance related to the Abrams tank but Army maintenance records showed that the depot maintenance requirements were fully funded. DoD IG concluded that as a result, the Army's financial statements were misleading and caused readers to believe the Army needed more money. (Report No. D-2010-043)

FRAUD AND CORRUPTION

DCIS protects DoD programs and people through investigations of fraud involving public corruption, financial crimes, health care fraud, and major theft. DCIS maximizes investigative efforts through collaboration with both domestic and foreign law enforcement professionals participating in organizations such as the National Procurement Fraud Task Force and International Contract Corruption Task Force. Recognizing the importance of how taxpayer dollars should be spent, DCIS makes every effort to hold companies and individuals accountable for engaging in fraud impacting DoD and the mission of the warfighter.

DRUG MANUFACTURER PAYS \$42.5 MILLION TO SETTLE MISREPRESENTATION CLAIM

On March 16, 2010, Alpharma, Incorporated, agreed to pay \$42.5 million to resolve allegations filed in a *qui tam* in connection with the marketing of the morphine-based drug Kadian. The settlement resolves allegations that, between January 1, 2000, and December 29, 2008, Alpharma, Incorporated paid health care providers to induce them to promote or prescribe Kadian and made misrepresentations about the safety and efficacy of the drug, which is used to treat chronic moderate to severe pain. The proceeds from the settlement will be split between the federal government and various states, with the United States receiving roughly \$33.6 million to resolve the federal claims, and the states receiving approximately \$8.9 million to settle their respective claims. The relator will receive \$5.33 million out of the federal share of the recovery. This was a joint investigation with DCIS, the FBI, and Department of Health and Human Services OIG and the Office of Personnel Management with assistance from the National Association of Medicaid Fraud Control Units.

MARINE MATERIALS MANUFACTURER SETTLES BID-RIGGING CASE

On February 19, 2010, a Swedish manufacturer of marine fenders and marine hose, and 13 other corporations and individuals, agreed to pay a total of \$15,448,728 to resolve civil allegations that it fraudulently overbilled the Navy and other federal agencies by rigging bids and fixing prices in connection with the sale of materials used on piers and other marine construction projects. Marine fenders are used as a cushion between ships and structures such as docks, piers, and other ships.

INVESTIGATIONS

DCIS investigated a Swedish manufacturer of marine fenders.

Marine hose is a flexible rubber hose used to transfer oil between tankers and storage facilities. Plastic marine pilings are used as substitutes for traditional wood timbers in piers and other marine construction projects. DCIS conducted the investigation with assistance from DCAA.



DOD SUBCONTRACTOR DEBARRED FOR FALSELY CERTIFYING COMPLIANCE OF PARTS

On October 27, 2009, the Defense Logistics Agency debarred a manufacturer's representative and its owner for 10 years from contracting based on an investigation that found the company falsely certified that it had manufacturing or testing capabilities through submission of fraudulent certificates of conformance to the government. The company was

subcontracted to manufacture and test parts supplied to a DoD contractor for the manufacture of cable assembly units and machine gun body cradles. Both parts are considered critical application items for DoD. The owner admitted to his role in the scheme and subsequently fled the country to avoid criminal prosecution, which resulted in DLA's debarment action. This was a joint investigation by DCIS and the FBI.

INFORMATION SECURITY AND ASSURANCE

The Department continues to face a daunting challenge in providing a strong and responsive information security and privacy program. In particular, the Department has to balance the security and privacy of its system operations and the storing, processing, and transmitting of data with the need for information sharing and interoperability. In both the business and warfighting domains, the twin imperatives of security and information exchange are in daily contention. Further complicating this challenge is the need to address data systems, operations, and initiatives in the hands of the Defense Industrial Base and other non-DoD mission partners. Progress needs to be made to resolve these conflicting requirements. A proposed change to the Defense Federal Acquisition Regulation Supplement (DFARS Case 2008-D028) was recently released for public comment. This change calls for the safeguarding, proper handling, and cyber intrusion reporting of unclassified DoD information within industry.

INFORMATION SECURITY

Weaknesses in information security policies and practices threaten the confidentiality, integrity, and availability of information.



While the security of contractor information systems continues to be a growing concern, the Department faces persistent weaknesses in information security policies and practices that threaten the confidentiality, integrity, and availability of critical information and information systems used to support operations, assets, and personnel. Many of the weaknesses reported occurred because management of DoD information systems was inadequate and security policies and procedures were not in place.

IDENTIFICATION OF CLASSIFIED INFORMATION IN AN UNCLASSIFIED DOD SYSTEM AND AN UNSECURED DOD FACILITY

DoD IG found that the Army did not have effective internal controls over the handling of classified information to prevent the processing of 655 transactions containing classified information into the Deployable Disbursing System, which is an unclassified system. The Army's controls also did not prevent the submission of at least 40 disbursement vouchers containing unmarked classified information for storage at a Defense Finance and Accounting Service facility not yet accredited for classified information storage. The Army issued guidance regarding the processing of sensitive payments made in contingency operations and the Defense Finance and Accounting Service had undertaken significant process and system changes, along with constructing new secure facilities, to protect against spillages in documentation. In addition, based on this report, DFAS and the Army took action to cleanse affected databases and initiate system changes to prevent the processing of classified information in the Deployable Disbursing System. (Report No. D-2010-038)

INFORMATION SECURITY AT THE FLEET AND INDUSTRIAL SUPPLY CENTER, SIGONELLA, DETACHMENT BAHRAIN

DoD IG reported that U.S. Navy personnel did not follow DoD regulations on handling classified documentation. Specifically, the Office of the Chief of Naval Operations did not correctly mark the documents with a declassification date, and the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain personnel stored classified documents in unclassified files that they did not safeguard or mark properly. Unauthorized access to classified documentation can compromise national security and increase risk to the warfighter. (Report No. D-2010-005)

HOMELAND SECURITY/TERRORISM

DoD IG continues to support Joint Terrorism Task Forces throughout the country and currently staffs 38 JTTFs on a full- or part-time basis. A full-time representative is also assigned to the National Joint Terrorism Task Force at the National Counterterrorism Center, McLean, Va.

The JTTF concept is based on the premise that success against terrorism is best achieved through a collaborative effort by federal, state, and local agencies. Cooperation blends the skills and resources of several agencies enhancing the capabilities of all involved. The mission of JTTF is to detect, prevent, and respond to domestic and international terrorist organizations that may threaten U.S. citizens or interests.

HOMELAND SECURITY

DCIS special agents participating in antiterrorism training.



NJTTF brings together senior personnel from different agencies representing the intelligence, law enforcement (state, local, and other federal), and public safety communities. NJTTF serves as a multiagency information collaboration and fusion center.

DCIS agents assigned to the JTTF participated in an investigation involving a network of individuals who hold extremist Islamic views, promote jihad, and actively recruit others to travel abroad and fight jihad against the kuffar (non-believers), to include U.S. military personnel. The investigation spanned several years and involved extensive use of physical and electronic surveillance activity on numerous subjects as allowed under the provisions of the Patriot Act.

TWO SENTENCED TO PRISON IN CONNECTION WITH TERRORISM INVESTIGATION

In December 2009, a multi-year terrorism investigation ended with one U.S. citizen being sentenced to 17 years in prison, to be followed by 30 years of supervisory release after being convicted of conspiracy, terrorism, and providing material support to terrorists. A second individual identified as Pakistani-born was sentenced to 13 years in prison, to be followed by 30 years of supervised release for providing material support to terrorists. The joint investigation conducted by DCIS and the FBI in March 2006 revealed the individuals provided material support to terrorism by conspiring to attack oil storage facilities and refineries, and several government facilities such as military installations and satellite systems that control Global Positioning Systems.

JTTFs involve a costly investment of personnel and equipment; however, this initiative realizes qualitative benefits in the form of improving interagency coordination and cooperation, sharing of intelligence, and obtaining

arrests and convictions in terrorism investigations. DoD IG will continue to support JTTFs in an effort to reduce the threat of terrorist acts against DoD interests.

WHISTLEBLOWER PROTECTIONS AND SENIOR OFFICIALS

DoD IG is committed to protecting whistleblowers and ensuring that allegations against the Department's senior leadership are expeditiously investigated. During the reporting period, DoD IG closed 432 cases involving whistleblower reprisal and senior official misconduct. The case substantiation rate for full investigations of reprisal allegations was 20 percent and 15 percent for investigations of senior official misconduct. Highlights include the following:

- A 54 percent increase in staffing (authorized in May 2009) is producing results with respect to reduced investigation cycle time and is also providing for surge capability in high-profile cases requiring quick resolution.
- Nearly 40 percent of senior official cases and 33 percent of civilian reprisal cases were of interest to the Congress and the Secretary of Defense; the majority of military reprisal cases involving congressional interest were answered by the service IGs.
- Investigators received training in policy and procedures governing newly granted IG authorization to issue testimonial subpoenas.
- The Military Reprisal Investigations Directorate is in the process of implementing 12 recommendations made by the DoJ OIG, in its July 2009 report entitled "A Review of the Department of Defense Office of Inspector General's Process for Handling Military Whistleblower Reprisal Allegations," including additional staffing, improved policies and procedures, communications with complainants and service IGs, and obtaining authorizations for dedicated training staff.
- A RAND study was recently completed that was co-sponsored with the Office of Under Secretary of Defense (Personnel and Readiness) that reviewed processes for reporting adverse information in support of the OSD senior uniformed officer nomination process.

MILITARY REPRISAL INVESTIGATIONS

On March 31, 2010, DoD IG had 382 open cases involving allegations of whistleblower reprisal filed by military service members, Defense contractor employees, and non-appropriated fund employees. About 75 percent of those cases are processed by service IGs prior to being forwarded to DoD IG for final approval.

During the reporting period, DoD IG and the service IGs received 271 complaints of whistleblower reprisal and closed 274 cases. Of the 274 cases, 220 were closed after preliminary analysis determined further investigation was not warranted and 54 were closed after investigation. Of the 54 cases investigated, 11 (20 percent) contained one or more substantiated allegations of whistleblower reprisal.

SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

- An Army master sergeant was referred for a mental health evaluation, removed from the "First Sergeant" course, and given an unfavorable noncommissioned officer evaluation report in reprisal for reporting to an IG that her rater had threatened her, and for informing her chain of command of potential violations of height/weight standards by command members. In addition to the substantiated reprisal finding, the investigation found that the commander violated procedural requirements of DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces," by not affording the master sergeant her rights.
- An Air National Guard colonel demanded a senior master sergeant promise he would not make any more complaints to an IG as a condition for approving the senior master sergeant's reenlistment authorization request. The threat to withhold the favorable personnel action was in reprisal for the senior master sergeant's complaint to an IG that the colonel would only agree to his reenlistment if he retired from his technician job.
- An Army Reserve staff sergeant received an unfavorable Non-Commissioned Officer Evaluation Report in reprisal

for filing complaints with IGs and military equal opportunity advisors alleging he was ordered to falsify inventory records and was subjected to a hostile work environment.

- An Air Force senior master sergeant received an unfavorable enlisted performance report in reprisal for alleging to his commander and a member of Congress that his supervisor was having an adulterous relationship and had engaged in fraudulent activity.

REFERRALS FOR MENTAL HEALTH EVALUATIONS

DoD IG closed 30 cases involving allegations of improper referrals for mental health evaluation during the reporting period. Fourteen (47 percent) of those cases substantiated that command officials and mental health care providers failed to follow the procedural requirements for referring service members for mental health evaluations under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” There was one substantiated allegation of a mental health evaluation being used in reprisal for making a protected communication.

CIVILIAN REPRISAL INVESTIGATIONS

DoD IG raised the awareness of DoD appropriated fund civilian employees’ whistleblower protections, specifically within the intelligence community and ensured compliance with the Office of Special Counsel’s Section 2302(c) whistleblower certification program.

On March 31, 2010, DoD IG had 28 open cases and was providing oversight of three investigations being conducted by either Defense intelligence agencies or the military services. During the first half of FY 2010, DoD IG advised on 44 intakes, accepted 11 for investigation, and closed two investigations. One-third of CRI’s open cases concern intelligence or counterintelligence activities, and the remaining two-thirds involve procurement fraud sources.

CIVILIAN WHISTLEBLOWER REPRISAL CASES

An employee of a Defense agency made protected disclosures pertaining to wasteful and illegal U.S. government contracts, disability fraud, Defense Travel System fraud, and time and attendance fraud (sick leave abuse). The complainant alleged that management threatened reassignment in reprisal for his protected communications. The investigation found that the agency’s actions against the complainant would have occurred absent the protected disclosure.

A former DoD employee alleged that subsequent to making a protected disclosure regarding the security of the organization’s intranet, management reprised against him by taking several unfavorable personnel actions (disapproved annual leave requests, negative comments in his annual performance appraisal, a notice of Unacceptable Work Performance and Performance Improvement Plan, and removal from federal service). The investigation found that the agency’s actions against the complainant would have occurred absent the protected disclosure.

SENIOR OFFICIAL INVESTIGATIONS

On March 31, 2010, there were 257 ongoing investigations into senior official misconduct throughout the Department, representing a two percent increase from September 30, 2009, when 252 open investigations were reported. Over the past six months, the Department closed 153 senior official cases, of which 23 (15 percent) contained substantiated allegations. Investigations closed during this period covered topics such as alleged violation of the Privacy Act, improper official travel, reprisal, sexual harassment and improper acceptance of a gift from a subordinate. DoD IG processed 2,609 individual names in the past six months. The confirmation process relies on the accuracy of these name checks.

OTHER DEPARTMENT OF DEFENSE OVERSIGHT



ARMY

ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a workforce of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 600 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the Central Command area of responsibility assisting Army commanders. At the end of March 2010, it had 30 deployed auditors in Iraq, Kuwait, and Afghanistan. Overall, USAAA has deployed more than 150 auditors since 2002 and issued more than 100 reports on Operations Enduring and Iraqi Freedom.

USAAA's goal is to be a highly sought after and an integral part of the Army by providing timely and valued services that improve the Army by doing the right audits at the right time and achieving desired results. To ensure its audits are relevant to the needs of the Army, USAAA prepared its strategic audit plan to align its audit resources with the Army's four imperatives:

- Sustain the Army's soldiers, families, and civilians.
- Prepare soldiers, units, and equipment to succeed in complex 21st century security environments.
- Reset forces and rebuild readiness for future deployments and contingencies.
- Transform and meet the needs of combatant commanders.

During the first half of FY 2010, USAAA published over 70 reports, made over 200 recommendations, and identified over \$300 million of potential monetary benefits. Several of USAAA's significant reports are described in the following paragraphs.

ORGANIZATIONAL CLOTHING AND INDIVIDUAL EQUIPMENT, EIGHTH U.S. ARMY (FIELD ARMY) AND INSTALLATION MANAGEMENT COMMAND-KOREA REGION

USAAA audited use of the Program Executive Office-Soldier's Rapid Fielding Initiative process to

field about \$47.5 million of clothing and individual equipment to non-deploying soldiers in Korea during the fourth quarter of FY 2008. USAAA reported that the requirements for fielding the Extended Cold Weather Clothing System Generation III and modular lightweight load-carrying equipment were overstated because the Eighth U.S. Army included unauthorized personnel in its requirements. As a result, the Organizational Clothing and Individual Equipment Central Management Office over-allocated funds for future Korea system and equipment requirements. Based on the recommendation, the Central Management Office adjusted FY 2010 and FY 2011 requirements and enabled the Army to put \$16.2 million of funds to better use. USAAA also reported that the fielding and record keeping processes used by Installation Management Command-Korea Region and Program Executive Office-Soldier did not ensure that records were accurate, documents were maintained, and accountability over fielded stocks was sustained. The commands involved agreed with the recommendations and acted to correct these issues. (Report No. A-2010-0047-FFP)

EXAMINATION OF ARMY ESTIMATE OF RESERVE COMPONENT BASIC ALLOWANCE FOR HOUSING NEEDS

USAAA conducted a series of attestations at the request of the Deputy Chief of Staff, G-1 regarding the assertion that the Army owed \$173.4 million to 69,941 Reserve Component soldiers in additional BAH payments for their activations from FY 2006 through FY 2008.

DCS, G-1's BAH debt estimate was based on a download from the Defense Joint Military Pay System—Reserve Component performed by the National Guard Financial Services Office in Indianapolis, Ind. The audit team identified the following.

- The download missed a field that contained the actual BAH payment made, which caused the amount of BAH owed to be overstated.
- Some soldiers with dependents were excluded from the download, which caused the soldiers in the population to be understated.

Because of these errors, USAAA found that DCS, G-1's assertion was not reasonable. The audit team corrected the omissions and requested another download from

DJMS-RC. Using the new database, USAAA estimated that the Army owes about \$36 million for the BAH debt to 30,087 RC soldiers.

USAAA also questioned a new policy that DCS, G-1 had proposed of no longer requiring documentation of a housing responsibility for activated RC soldiers, without dependents. This policy appeared to conflict with public law and recommended that G-1 seek a legal opinion to resolve this issue. In addition, USAAA recommended that G-1 develop a plan for paying all soldiers due a debt, by having their financial records reviewed and the estimated debt verified.

G-1 agreed with the recommendations, the BAH debt estimate, and the estimated potential monetary benefits of \$137 million. (Report Nos. A-2010-0006-FFM; A-2010-0011-FFM; A-2010-0025-FFM; A-2010-0036-FFM)

ARMY NETWORTHINESS CERTIFICATION PROGRAM

USAAA evaluated the Army's Networthiness Certification Program for Army-developed systems and commercial off-the-shelf products. USAAA evaluated the program to determine if the Army developed clear requirements and provided effective oversight of the program.

USAAA concluded that Army information technology leaders made a concerted effort to establish an oversight program to (a) identify the minimum requirements to comply with the Clinger-Cohen Act and (b) validate that systems and commercial off-the-shelf products met those requirements. However, the program did not effectively ensure that products placed on the LandWarNet were secure, supportable, maintainable, or usable. The Networthiness Division developed a process for reviewing and approving system networthiness. It established a checklist to capture key elements and developed a validation process. However, USAAA identified several gaps in the process that limited the program's effectiveness.

- Subject matter experts were not effectively integrated into the review and validation process.
- The review process for commercial off-the-shelf products was not as rigorous as that used for Army-developed systems.
- The networthiness application process was not efficient

and required duplicate data submissions from system owners.

- Networthiness reviews were not started early enough in the product development and acquisition process.
- Networthiness recertification requirements were not clearly defined.

USAAA made five recommendations to close those gaps. If the recommendations are fully implemented, the program could become a valuable tool to the Army.

The Army's chief information officer and G-6 concurred with the recommendations. (Report No. A-2010-0046-FFI)

AUTOMATIC RESET INDUCTION RETROGRADE AND DEPOT OPERATIONS

USAAA, at the request of the Office of the Deputy Chief of Staff, G-4, conducted a series of audits of the Army's automatic reset induction program. USAAA reviewed the overall program process from sustainment-level retrograde of equipment used in Southwest Asia, through depot operations in CONUS, and evaluated criteria used to add items onto the ARI list.

USAAA found ARI criteria allowed items to be expedited that were not needed to meet short-term operational demands. USAAA recommended that the new ARI criteria consider total asset position when developing sustainment-level reset needs (that is, on-hand serviceable and unserviceable assets and the associated demands). USAAA also recommended that ARI criteria justification specifically address wash-out systems not scheduled to return to theatre, include exceptions for next-to-deploy training demands, and address low-density, high-demand items. The ODCS G-4 took immediate action to implement the recommendation by including the proposed ARI criteria in the Army data call in preparation for the FY 2010 budget build.

USAAA's review of retrograde operations showed inefficiencies in the materiel returns process and inadequate management controls in the transportation pipeline. As a result, CONUS sources of repair did not receive ARI items as quickly as possible, significantly delaying reset of those priority items. The review of depot operations showed that some items did not have future operational requirements that supported accumulating assets at depots. As a result, the Army incurred additional costs for sustainment level

reset, storage, and transportation for expediting ARI items to depots. The Army took immediate action during the audit to correct weaknesses in the ARI process that included distributing revised ARI criteria and the FY 2009 reset execution order with guidance to improve the ARI process during retrograde and depot operations. In addition, to process improvements in key areas directly impacting the drawdown from Southwest Asia, the overall audit results included more than \$500 million in potential funds put to better use. This allowed the Army to achieve the benefits of putting funds to better use, specifically \$27 million in overstated field requirements, \$33 million in depot cancellations, and \$453 million due to recommended criteria in time for the FY 2010 budget build. Also, due to the new criteria, the Army had removed additional end items from the ARI list, which had broad application by helping to reduce the Army's FY 2011 budget. (Report No. A-2010-0013-ALM, FOUO)

FORWARD OPERATING BASE CLOSURES IN IRAQ

USAAA, at the request of the Chief of Staff, Multi-National Force – Iraq, evaluated the effectiveness of the forward operating base closure processes in Iraq. USAAA found policies and procedures for closing bases in Iraq were in place; however, MNF-I and Multi-National



USAAA evaluated the effectiveness of the forward operating base closure processes in Iraq.

Corps-Iraq needed to improve how it monitored and documented the base closures. USAAA reported that the command did not effectively monitor units as it closed bases and used subjective methods to monitor the base closure process.

USAAA also found that the command could improve guidance and documentation retention for property transfers during base closures as well as overall property accountability in Iraq. Command agreed with the recommendations and began taking corrective actions during the audit. (Report No. A-2010-0044-ALL, FOUO)

ACCIDENT INVESTIGATIONS

USAAA reported that the Army generally analyzed reported accidents for soldiers to identify trends and implement corrective actions. However, the accident reports were not always submitted as required. The Army did not conduct trend analysis on accidents involving civilians and contractors and did not have a process in place to measure the effectiveness of corrective actions implemented. These conditions primarily occurred because Army soldiers and civilian supervisors were not fully aware of accident reporting requirements.

USAAA also reported that the Army did not have a centralized safety system that is sufficient to capture Army-wide accident data. The Army was aware of this issue and directed one of its activities to design and develop a single safety and occupational health mishap reporting system. The Army directed owners of legacy safety tracking systems to discontinue the use of these systems within a month of the new system being fully deployed. Despite this directive, efforts to deploy the new system remained fragmented due to a lack of Army-level oversight in managing the effort. In addition, USAAA identified two potential Antideficiency Act violations that required immediate attention and corrective actions. The Army did not comply with existing DoD guidance to obtain certification for the new reporting system and used Overseas Contingency Operation funds on a system for everyday Army-wide use.

The Army agreed with the recommendations and stated it took or would take corrective actions. The Army also agreed with the reported potential monetary benefits of \$3.75 million. (Report No. A-2010-0033-FFE)

BRIDGES ON ARMY INSTALLATIONS

USAAA focused the audit on the Army's measures to mitigate safety and liability issues for bridges that its garrisons maintained. The Army has more than 1,400 Army bridges valued at about \$731 million, which are subject to requirements of public law, including conducting periodic bridge inspections and reporting of data to the Federal Highway Administration's National Bridge Inventory.

The Army's Bridge Program has made considerable advances in the last several years. The Army centralized its bridge program under Army Installation Management Command in FY 2005. The command manages the Army Transportation Infrastructure Program. The program manager is responsible for managing Army transportation program resources: airfields, bridges, dams, railroads, and waterfront facilities.

USAAA conducted audit work at Forts Carson, Drum, and Knox, which together had almost 160 bridges. USAAA determined that the Army's program manager proactively implemented controls and established business rules to increase the accountability and effectiveness of the program, and Army Installation Management Command conducted routine bridge inspections to assess the condition of the bridges. However, its garrisons did not always use the results to fully program, fund, and perform required maintenance, resulting in needed bridge repairs recurring from year to year. Also, the garrisons visited did not record all of the bridges in the property system. As a result of USAAA's audit, the installations qualified for a high level of sustainment funding. The audit also facilitated better communication between the garrisons, Army Installation Management Command, and Assistant Chief of Staff for Installation Management on the results of the inspections, necessary repairs, and appropriate funding, which will help ensure bridges are maintained in good or fair condition. (Report Nos. A-2010-0002-ALO, A-2010-0027-ALO, A-2010-0034-ALO)

DOD SUPPORT TO THE 2009 PRESIDENTIAL INAUGURAL

USAAA, at the request of the Commander, Joint Force Headquarters-National Capital Region, evaluated whether it effectively planned, coordinated, and executed ceremonial support for the 2009 Presidential Inaugural

and completed the necessary closeout actions to ensure a smooth transition for the 2013 Presidential Inaugural.

The 2009 Presidential Inaugural was a unique event due to the size of the crowds; the significant challenges encountered in personnel staffing shortages due to two ongoing war efforts; and the significant changes in the support environment, to include that Joint Force Headquarters - National Capital Region was, for the first time, a completely operational entity. Headquarters and its subordinate activities, the U.S. Army Military District of Washington and the Armed Forces Inaugural Committee, were able to address these significant challenges and through their continual adjustments, provided effective ceremonial support consistent with DoD guidelines. The U.S. Army Military District of Washington and Armed Forces Inaugural Committee also properly completed all actions needed to effectively close out support operations for the 2009 Inaugural. However, USAAA identified about \$1.2 million in savings by recommending reduction of MDW's base budget for information technology equipment purchased to support the 2009 Inaugural and later redistributed to U.S. Army Military District of Washington, as well as by identifying efficiencies in the use of existing local visual information, transportation, property book, and tracking system resources. Joint Force Headquarters - National Capital Region generally agreed with the recommendations and potential monetary benefits. (Report No. A-2010-0059-ALO)

TIME-SENSITIVE ISSUE-JAVELIN COMMAND LAUNCH UNIT OPERATIONAL READINESS FLOATS

During USAAA's ongoing Army-wide audit of maintenance floats, it identified quantities of current operational readiness float assets and future float requirements for the Javelin Command Launch Unit that could be redistributed to support other higher priority operational needs. USAAA found that the project office's Close Combat Weapon Systems float program for the Javelin CLU was not used to support unit readiness. Although CCWS personnel tracked overall Javelin CLU readiness rates, they did not conduct annual reviews of float requirements based on actual usage of the 236 fielded operational readiness float assets. Also, the project manager, CCWS, included future requirements for 122

ORF assets to the U.S. Army National Guard, who had discontinued its float program. USAAA determined that high readiness rates were maintained for Javelin CLUs through a sustainment level repair turnaround time that was less than half the benchmark required to approve issuing float assets to units, rather than use of operational readiness float assets fielded at installations. In fact, the review of three CONUS installations identified no float asset usage of the Javelin CLUs for the past two years. USAAA recommended that CCWS discontinue its operational readiness float program and redistribute the 338 Javelin CLUs to meet other higher priority operational needs. ODCS G-4 agreed that the program should be discontinued and agreed with potential monetary benefits of about \$41.6 million in funds that could be put to better use. (Report No. A-2010-0040-ALM)

RETROGRADE OPERATIONS IN SOUTHWEST ASIA

As part of USAAA's ongoing review of logistics operations in Southwest Asia that was requested by the Deputy Chief of Staff, G-4, it released two reports pertaining to retrograde of unserviceable multi-class supplies, and Class IX aviation parts in Kuwait. USAAA reported that the Army did not effectively manage retrograde operations, which hindered proper accountability and visibility of materiel and the Army's ability to effectively reset the force.

- The Army did not properly receipt or secure in-bound items at multi-class retrograde yards and compromised in-transit visibility of outgoing items with poor repackaging procedures. Government personnel who were responsible for overseeing operations were overwhelmed due to insufficient staffing, increased workload, and limited contract administration experience.
- The Army established processes for retrograding and redistributing Class IX aviation items but did not effectively manage stocks stored in its warehouse. The warehouse used two separate Standard Army Retail Supply System boxes to fulfill retrograde and redistribution operations. This practice subsequently led to the buildup of about \$62 million in excess stock and a significant reduction of asset visibility.

These breakdowns caused delays in the return of needed materiel to the depots and left Army materiel managers unsure of the supply data's reliability to make redistribution and procurement decisions. Due to the severity of some of these breakdowns, USAAA reported several incidents to the local investigative agencies for review. (Report Nos. A-2010-0021-ALL; A-2010-0022-ALL)

CONTRACTING SUPPORT PROCESSES FOR TASK FORCE-EAST

USAAA conducted this audit at the request of the Deputy Commanding General, U.S. Army, Europe and Seventh Army Task Force-East, which is a U.S. European Command initiative to foster relationships with Romanian and Bulgarian military forces to enhance theatre security cooperation in the European area of responsibility. The TF-East mission provides U.S. Forces with the opportunity to train with these new NATO allies in an expeditionary environment. USAAA concluded that USAREUR developed an effective acquisition strategy for satisfying requirements supporting TF-East. Command involved senior leaders and procurement personnel in identifying critical requirements and selecting the best methods (troop labor, existing contracts, or new local contracts)



to satisfy these requirements. For requirements satisfied through local contracts, the 409th Contracting Support Brigade effectively organized and executed contracting support. Contracting officers selected appropriate contract types; structured options effectively; properly prepared solicitations and evaluated proposals; and appropriately awarded contracts. Although USAREUR and the 409th CSB appointed contracting officer's representatives with appropriate knowledge of contracts and training, CORs did not maintain documentation showing they evaluated contractors' performance. This diminished the government's assurance that contractors performed and invoiced in accordance with contract specifications. The recommendations will help USAREUR and the 409th CSB strengthen contract administration and oversight. (Report No. A-2010-0078-ALA)

PRICING AND FUNDING SECURITY ASSISTANCE TO IRAQ AND AFGHANISTAN, U.S. ARMY SECURITY ASSISTANCE COMMAND

USAAA performed this audit to assess the process used to manage and administer security assistance transactions for Iraq and Afghanistan. Specifically, USAAA reviewed the use of the foreign military sales process to support these two contingencies and found the cost of equipment transferred to Iraq and Afghanistan through the foreign military sales process was properly priced. However, USAAA reported that, on several designated replacement and modernization cases, the Army recovered \$64.5 million less than the costs needed to replace the equipment transferred from inventory. Also, the audit showed that the peacetime process normally used for a foreign military sales transaction was not effective to meet the additional workload requirements generated by the contingency operations. Specifically, security assistance activities were required to accelerate support to commanders but were not adequately funded up front to meet the additional workload.

USAAA also reported that, while the FMS process was generally used to acquire equipment and services for Afghanistan, equipment for Iraqi forces was primarily acquired outside of the traditional FMS process. The Multi-National Security Transition Command-Iraq perceived the FMS process as too slow and cumbersome

for contingency operations and had received "direct procurement authority" to bypass the process. USAAA found the security assistance activities had taken steps to improve and accelerate the FMS process and worked with a DoD foreign military sales task force to improve the overall process time to acquire and deliver equipment. USAAA believes the Army has an opportunity to influence improvements to the foreign military sales process because of the critical role the Army continues to play in providing needed equipment and lessons learned. USAAA made several recommendations to the Army for improving and expediting current and future security assistance efforts during contingency operations. The Army agreed with the recommendations. (Report No. A-2010-0060-ALA)

USE OF TRAINING AIDS, DEVICES, SIMULATORS, AND SIMULATIONS BY THE RESERVE COMPONENT, FORT EUSTIS, VA.

USAAA audited how the Army tracked training aids, devices, simulators, and simulations usage by the reserve component and how it used that information to make acquisition and fielding decisions. USAAA determined that the Army had a fairly effective process to acquire and field TADSS to the reserve component. The U.S. Army Training Support Center managed the mission-essential requirements process, which maximized the locations of TADSS. However, the MER was only one step in the process of determining the Army's TADSS needs. The overall Army needs determination process did not incorporate usage data showing how much the TADSS were actually used. These conditions existed primarily because information on TADSS usage was incomplete, the central repository for TADSS information was not used consistently, and there were no standard operating procedures for TADSS administration. As a result, the Army did not know if TADSS were being used fully or what type of return it got for its investment in TADSS. (Report No. A-2010-0049-ALA)

DEVELOPMENT OF CAPABILITIES DOCUMENTS, U.S. ARMY TRAINING AND DOCTRINE COMMAND

USAAA audited the Army's process for developing system fielding doctrine, organization, training, materiel, leadership and education, personnel, and facilities

requirements in capabilities documents to support acquisition decisions. USAAA determined that the Army made acquisition decisions on various systems without having complete information on DOTMLPF requirements and life-cycle cost estimates. USAAA's review of eight system capabilities documents showed that none of the documents had fully developed DOTMLPF requirements. This occurred because TRADOC proponent personnel had an incomplete understanding of the need for post-capabilities-based assessment DOTMLPF analyses when developing capabilities documents. Also, there was insufficient and frequently changing guidance available to them. Finally, there was insufficient oversight and review of DOTMLPF requirements at all levels of the Army. As a result, the Army could experience unfunded requirements and cost overruns and could possibly field incomplete capabilities. For example, the Army had unfunded requirements of \$219 million for training devices for two systems. The Army agreed with the recommendations. (Report No. A-2010-0074-ALA)

LOGISTICS DOMAIN GOVERNANCE PROCESS

USAAA initiated this performance audit under the authority of the Auditor General. USAAA focused its efforts on the management structure and processes used by the logistics domain to identify and manage information technology capabilities and related investments. USAAA identified that logistics information technology-related investment focused on domain-centric goals rather than meeting the needs of the Army enterprise. This occurred for two reasons. First, Army policy did not clearly establish the domain decision authority. Second, the Army did not effectively implement higher level oversight. Therefore, domain investments were geared toward meeting individual organizational needs rather than overall Army needs. In addition, USAAA found that the domain sometimes did not use established defense management processes when developing required capabilities and when procuring logistics IT assets. As a result, domain requirements and investments were not prioritized and synchronized against other Army requirements in order to meet overall Army objectives. The Deputy Chief of Staff, G-4 agreed with the recommendations and included steps to address the issues in the Army Campaign Plan. (Report No. A-2010-0032-ALR)

AWARD FEE DETERMINATIONS FOR TASK ORDER 139—LOGISTICS CIVIL AUGMENTATION PROGRAM III CONTRACT

USAAA performed this audit at the request of the Secretary of the Army in response to congressional concerns stemming from a soldier's electrocution while taking a shower at a complex maintained by the task order 139 contractor. USAAA reported that contracting officials generally complied with applicable policies, regulations, and contract provisions; and award fee boards used data provided to make award fee recommendations. However, some award fee criteria were unclear, the award fee board did not strictly apply the criteria when evaluating contractor performance, and board members did not adequately document their rationale for award fee decisions. USAAA also found that significant electrical deficiencies and contract nonconformities were not identified and provided to the award fee board.

After the soldier's electrocution, the Army suspended award fee boards, and the government significantly increased contract oversight. The increased oversight brought to light the magnitude of electrical deficiencies and systemic failures of the contractor's quality control system.

The Army used USAAA's audit results, as well as information gathered by other members of the oversight community, when it decided to withhold a significant amount in pending award fees from the contractor. USAAA also made recommendations to improve the award fee determination process. In addition, USAAA reviewed the LOGCAP IV contract to make sure the Army incorporated lessons learned from LOGCAP III into IV. The command agreed with the recommendations and began taking corrective actions. (Report No. A-2010-0026-ALC)

CONTRACT CLOSEOUT CONTROLS—U.S. ARMY CORPS OF ENGINEERS

USAAA performed this audit under the authority of the Auditor General. USAAA reported Corps districts generally ensured the proper payment of legitimate liabilities and adequately accounted for government-furnished property when they closed contracts. However, procedures and controls for closing out contracts

effectively and in a timely manner needed improvement. Contracts eligible for closeout were not effectively identified and managed because district managers were understaffed, were not familiar with all aspects of the Federal Acquisition Regulation closeout procedures and time standards, and relied on vendor and field personnel notifications to begin the closeout process.

USAAA also found excess funds associated with open contracts that should have been closed out were not always timely deobligated. This occurred because district managers were not required to confirm the deobligation status of all actions identified in the triannual unliquidated obligation review. As a result, about \$102,500 in funds, which could have been put to better use, were still obligated for contracts that were no longer needed. During the audit, the U.S. Army Corps of Engineers used USAAA's results to increase the priority level of contract closeouts and substantially reduce its backlog of open contracts. Additionally, to prevent the buildup of future contract backlogs, upon USAAA's recommendation, the Corps took actions to actively monitor and report the status of closeouts and developed performance metrics to measure the success of those actions. (Report No. A-2010-0005-ALC)

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

USAAA performed several audits in support of the Office of the DoD IG in executing its oversight requirements for Recovery Act spending. USAAA focused its efforts on determining whether the Army implemented the Act in accordance with the requirements of the Act, OMB guidance, and subsequent related guidance. Specifically, USAAA assessed the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure the Army's efforts facilitated accountability, transparency, and the other goals of the Act.

In the first phase, DoD IG selected 152 Army projects to review (30 Active Army projects for military construction and facilities, sustainment, restoration, and modernization; 92 Army National Guard projects; and 30 U.S. Army Corps of Engineers projects for civil works operations and maintenance). USAAA agreed to review about 70 projects for the first phase including 64 projects that DoD IG selected along with additional projects that

USAAA selected at some of the 18 sites where the projects were located. The estimated cost included in the DoD expenditure plan for the 70 projects was approximately \$347 million. To date, USAAA has completed audits of the Active Army and National Guard FSRM projects for barracks, energy, utilities, pavements, operations, quality of life and military construction of a child development center.

Based on the audits completed at three sites (Fort Bragg, North Carolina; South Carolina National Guard; and Fort Benning, Georgia), USAAA found that the Army generally implemented its Recovery Act projects in accordance with the requirements of the Act, OMB guidance and subsequent related guidance. Overall, the Army properly planned, funded, executed, and tracked and reported the projects reviewed as stipulated in the Act and related guidance. However, USAAA identified contracting documents at all three sites that did not include some of the applicable award terms and clauses required by the Act. These conditions primarily occurred because the contracting personnel used existing contracts that had been awarded prior to the Recovery Act and did not make the required modifications to the clauses.

In addition, USAAA's audit of South Carolina National Guard projects showed that contracts awarded by state contracting personnel through a special military cooperative agreement did not identify the projects as Recovery Act projects in the public solicitations or award notices. As a result, the contract actions were not fully transparent to the public. Contracting personnel were not aware of the requirement to include a Recovery Act designation in the contracting documents because the special military cooperative agreement did not include such terms or requirements. Because the Headquarter National Guard provided the template for the special military agreement, USAAA determined that this would likely be an issue for all National Guard Recovery Act contracts awarded by the states. USAAA, DoD IG, and the National Guard Bureau were in the process of discussing this issue when USAAA published the report for the South Carolina National Guard. Therefore, USAAA did not make any recommendations to the South Carolina National Guard related to this issue.

ARMY CRIMINAL INVESTIGATION COMMAND

U.S. Army CID provides global support to the U.S. Army through critical investigative support, actionable intelligence, logistics security and protective services to senior DoD personnel and their visiting foreign national counterparts. Army CID currently has more than 150 agents and support personnel forward deployed throughout the world supporting ongoing contingency operations in Kuwait, Iraq, and Afghanistan. Regardless of their status as Active Duty, National Guard, or Reserve, Army CID personnel support the proactive posture of the command.

AFGHANISTAN AND IRAQ THEATRE OF OPERATIONS

- The U.S. Army Criminal Investigation Laboratory's Expeditionary Forensic Division deployed its first rotation of examiners and support personnel to the ATO in December 2009. Follow-on rotations are scheduled to absorb an increasing percentage of the forensic support requirement from the current contractor-based services.
- Army CID continued participating in the Law Enforcement Combined Inter-Agency Task Force in Baghdad, Iraq, comprised of Army CID agents, international police advisors, and members of Task Force 134. Since its inception, the task force has worked with the U.S. Forces-Iraq, military unit commanders, FBI, DoS, and government of Iraq to investigate and prosecute the Dangerous Radical/Enduring Security Threats. The threat-related crimes investigated by the task force range from falsifying identification, weapons smuggling, financing terrorism-related activities, attacks against coalition forces, IED manufacture and emplacement, kidnapping, torture, and murder. The goal of the task force is to identify physical and testimonial evidence such as fingerprints, DNA, weapons, digital evidence (video recordings, e-mails, etc.), photographs, and eyewitness statements to be presented during the prosecution of crimes committed against the government of Iraq and coalition forces. A parallel goal is to mentor Iraqi law enforcement agencies in the practice of sound law enforcement and investigative techniques in order to build Iraqi capacity for self-governance. To date, the task force has

investigated more than 200 DR/EST detainee cases, with more than 50 cases already presented to the Central Criminal Court of Iraq for prosecution. Of those cases, three individuals were convicted of their crimes, with one individual sentenced to death for terrorism-related charges.

- The Major Procurement Fraud Unit, under the Department of Justice International Contract Corruption Initiative, continued its work with member agencies, to include DCIS, DoS IG, FBI, SIGIR, and USAID. MPFU has five forward investigative offices in Afghanistan, Kuwait, and Iraq, focusing on contingency fund contractual fraud involving Overseas Contingency Operations and in support to the various military operations under Operations Enduring and Iraqi Freedom. Since October 2009, the MPFU has initiated 105 reports of investigation with \$237 million in total recoveries and an additional \$60 million identified as cost avoidance. Specific to OCO, MPFU initiated 32 reports of investigation and realized \$71.1 million in fines and restitutions.

DOD CRIMINAL INVESTIGATION TASK FORCE

- The Army CID continues to serve as the executive agent for the DoD Criminal Investigation Task Force, which conducts criminal investigations of suspected terrorists in Afghanistan, Iraq, and Guantanamo Bay, Cuba. The CITF has agents from Army CID, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations.
- In Afghanistan, CITF initiated investigations on 120 detainees held by the United States to assess their involvement with al Qaeda, the Taliban, or other terrorism groups, with a focus on prosecutions in host nation courts. In Iraq, CITF conducted joint investigations with host nation police and judicial authorities and conducted more than 400 interviews with suspected terrorists. The joint investigations and interviews led to more than 1,100 arrest warrants for suspects affiliated with al Qaeda networks, the development of evidence for prosecutions in the host nation courts, and, ultimately, the removal of those convicted of terrorist acts from the battlefield.
- CITF continued to support the Guantanamo Detainee Review Task Force by conducting investigations of

35 detainees slated for prosecution in federal court or military commissions and 48 detainees slated for continued detention under the laws of war. The CITF agents, analysts, and attorneys are also spearheading the criminal investigation of the terrorists responsible for the October 2000 bombing of the USS Cole in the Port of Aden, Yemen, and working on the case of a detainee accused of helping to plan and prepare the attack.

- CITF is directly supporting the Deputy Secretary of Defense by reviewing detainees referred to U.S. courts for a comprehensive assessment of the threat they pose. CITF is supporting the Habeas project, overseen by the DIA Joint Intelligence Task Force for Combating Terrorism, which was created in 2008 and is now known as the Security Classification/Declassification Review Team. The team serves as the focal point for all DoD documents used in habeas hearings and Office of Military Commission proceedings, and produces declassified records for use in federal court. During this reporting period CITF declassified 2,870 documents. CITF also provides information to the DoD Office of General Counsel for habeas cases.

OTHER SIGNIFICANT OPERATIONS AND ACCOMPLISHMENTS

- Within days of the devastating January 2010 earthquake in Haiti, Army CID had agents on the ground in support of Joint Task Force Operation Unified Response. Although the capabilities and resources on the ground were challenging, Army CID agents worked closely with the other services to provide logistics security operations in support of port and air cargo; develop actionable intelligence pertaining to potential criminality within the Theatre of operation; and conduct investigations at the behest of the U.S. Embassy.
- An United States Army Criminal Investigation Laboratory research proposal to begin validating the scientific and statistical uniqueness of handwriting was approved for funding by the Technical Science Working Group. The results of the research will bear directly on the National Academy of Sciences Report, Strengthening Forensic Science in the United States, that criticized the scientific validity of questioned document analysis. The results of this study will benefit the entire questioned document profession and enhance their ability to render expert opinions in court.

- The Fraud Task Force was created in late 2007 by Army CID and Army Internal Review and Control in response to the number of U.S. Army Reserve soldiers activated in support of GWOT operations who were committing fraud formally came to an end in November 2009. Their intense efforts generated about 500 criminal investigations that identified an estimated \$8.1 million in fraud and resulted in the successful prosecution of 54 subjects in 2009. The task force received praise at the highest levels of the U.S. Army as a result of the combined efforts of auditors, internal review and control managers, and Army CID agents.



Army CID special agents deployed to Haiti.

SIGNIFICANT CASES

INVOLUNTARY MANSLAUGHTER

Army CID was notified of the death of a non-DoD affiliated female juvenile in the barracks of Fort Lewis, Washington. This investigation, conducted jointly with the FBI, revealed that an Army private purchased Oxymorphone and Alprazolam (Xanax) from an off-post drug trafficker and provided those drugs to two female juveniles in his barracks room. This resulted in the death of the first juvenile from multiple drug toxicity and a non-lethal drug overdose by the second juvenile. The private was found guilty during a general court-martial, sentenced to confinement for 70 months, and dishonorably discharged.

KIDNAPPING

An Army private, posing as a nurse, took a newborn baby from his room and attempted to take him out of the mother/baby ward in the Army Medical Center at Fort Hood, Texas. When the mother confronted the private, she gave the baby back to the mother and left the area. Through the use of a tip line, review of video surveillance, and photographic line-ups with the mother and a security guard, the private was identified and apprehended by Army CID in Killeen, Texas. The private admitted she took the baby from the hospital room, was convicted by a general court-martial of kidnapping and received five years confinement and a dishonorable discharge.

THEFT OF GOVERNMENT FUNDS

A former U.S. Army captain who served as a disbursing officer in Kandahar, Afghanistan, stole approximately \$400,000 in cash from the Kandahar disbursing vault. Prior to redeployment, he sent the stolen funds through the U.S. mail from Afghanistan to Honolulu, Hawaii, concealed inside a footlocker. When the captain returned to Hawaii, he deposited large sums of cash into various U.S. financial institutions. The captain pled guilty to theft, money laundering, and filing a false tax return, and was sentenced to 50 months in federal prison and ordered to pay \$450,000 in restitution. DCIS and IRS jointly conducted the investigation.

LARCENY OF GOVERNMENT PROPERTY

An Army chief warrant officer wrongfully exploited his property book officer authority at the U.S. Army South logistics warehouse, Fort Sam Houston, Texas, by requisitioning and personally diverting more than \$9.8 million in government property ranging from band equipment to high value electronic testing equipment. The diverted government property was sold to commercial outlets located throughout the United States, resulting in proceeds in excess of \$1 million. In lieu of a jury trial, the chief warrant officer pled guilty in U.S. District Court for the Western District of Texas to one count of theft, and agreed to forfeit 24 acres of land (valued at \$2.7 million), two investment accounts (valued in excess of \$400,000) and other property purchased with the proceeds from the scheme. DCIS, FBI, and DLA jointly conducted the investigation.

NAVY

NAVAL AUDIT SERVICE

The Naval Audit Service's mission is to provide independent and objective audit services to assist Naval leadership in assessing risk to improve efficiency, accountability, and program effectiveness. NAVAUDSVC works with senior Department of the Navy officials to develop a risk-based annual audit plan that addresses critical areas that officials feel merit additional oversight. In the past six months, audits have addressed a number of important DoN issues, such as information security, controls over contracting, and the necessity and scoping of military construction projects; regarding the last issue, the audit identified \$23.3 million in overstated MILCON requirements and made recommendations that will allow DoN management to put those funds to other use. The assist reports for the Naval Criminal Investigative Service have identified more than \$128,000 in potential fraud to date. Auditors also provided testimony and/or audit support for court cases that led to the successful prosecution of personnel for travel and cash card fraud. NAVAUDSVC continues to audit controls over overseas acquisition in such locations as the Horn of Africa—an initiative NAVAUDSVC undertook at the request of the former Secretary of the Navy. NAVAUDSVC also continued a series of audits on the Department's accountability over small arms and of protection of the personally identifiable information of military and civilian personnel. NAVAUDSVC will continue to work with senior DoN officials to provide them with an expert and impartial assessment of critical DoN issues, risks, and opportunities.

JOINT WARFIGHTING AND READINESS

NAVY PLAN TO MEET FUTURE SEAL END-STRENGTH

The announced audit objective was to verify that the Navy is on track to meet future SEAL end-strength efficiently and effectively. During the course of the audit, based on discussions with senior leadership, NAVAUDSVC revised the audit scope to focus on four specific topics within the area of training. These specific objectives were to:

- Verify that Basic Underwater Demolition/SEAL

training standards are objective.

- Determine if alternatives to conducting BUD/S under winter conditions exist.
- Determine if medical training losses due to stress fractures can be reduced.
- Determine if vision correction surgery can be provided without causing an interruption in BUD/S training.

NAVAUDSVC determined that:

- BUD/S written standards were relevant and objective and controls were in place to reasonably ensure the objectivity of training standards while still allowing for instructor flexibility.
- BUD/S Selection Phase 2 training does not need to be conducted during winter, the season when training losses are about seven percent higher.
- BUD/S candidates conduct a movement to the Naval Amphibious Base Coronado galley that should be eliminated because it may contribute to medical training losses due to stress fractures.
- There are ways to provide corrective vision surgery that would not interrupt BUD/S training and would therefore make it unnecessary to exclude SEAL candidates from the recruiting pool due to a new, stricter vision standard.

Reducing SEAL training losses attributable to winter training and stress fractures would favorably impact the goal of increasing SEAL end-strength to 2,174 by FY

2013. The Navy Recruiting Command would also be able to reduce the number of qualified leads required to sign SEAL enlisted contracts by as much as 3,373 annually. NAVAUDSVC made recommendations to the Commander, Naval Special Warfare Command, to: implement controls to provide increased assurance that training standards continue to be consistently applied; implement a new BUD/S schedule that reduces the amount of BUD/S First Phase training conducted in winter and coordinate with resource providers to ensure necessary additional resources are given urgent consideration; and update milestones for the construction and operation of an ocean-side galley at Naval Amphibious Base Coronado and use the updated milestones to determine when an alternative plan should be developed and implemented to avoid a return to the jogging condition found during the audit. NAVSPECWARCOM concurred with all recommendations. NAVAUDSVC also made a suggestion to the Deputy Chief of Naval Operations (Total Force) to, if needed to meet future SEAL recruiting goals, develop and implement a plan enabling prospective SEAL recruits with below-standard vision to receive corrective vision surgery at Navy, Army, or Air Force facilities, and recover from the surgery, prior to beginning initial training. (Report No. N2010-0019)

INFORMATION ASSURANCE, SECURITY, AND PRIVACY

INFORMATION SECURITY FOR RESEARCH, DEVELOPMENT, TEST, AND EVALUATION AND EDUCATION LEGACY NETWORKS

NAVAUDSVC reviewed information assurance for 24 unclassified legacy networks (20 research, development, test, and evaluation networks, 4 education networks) and found that required information security controls were missing or incomplete. Systemic weaknesses existed in information security areas related to seven major categories in the Federal Information Security Management Act requirements: Information Security Program, Risk Assessment, Access, Monitoring and Oversight, Continuity of Operations, Certification and Accreditation, and Documentation. More than half of the 24 networks had weaknesses in each of the seven categories. Of the 24, 15 had problems with risk assessments. All 24



NAVAUDSVC reviewed Basic Underwater Demolition/SEAL training standards.

networks had problems with documentation. The causes of these conditions varied for the different networks, but existed because officials believed their networks achieved adequate information security through the strategies used or because managers focused on other priorities. These missing or incomplete information security controls create an environment that increases the risk for loss or misuse of government resources, unauthorized access to and modification of data, disruption of network operations, and disclosure of sensitive information. (Report No. N2010-0005)

ACCESSIBILITY OF PERSONALLY IDENTIFIABLE INFORMATION THROUGH THE NAVY MARINE CORPS INTRANET HOMEPORT WEB SITE

Personally Identifiable Information was accessible on the NMCI Homeport via a link to the Office of the Program Executive Officer for Enterprise Information Systems SharePoint Portal web site titled, “Missing, Lost, Stolen, or Damaged Tracking Log.” NAVAUDSVC found that the MLSD records were accessible to anyone attempting to access the site with a valid Common Access Card, simply by typing in the Guest username and password provided on the Web site screen. NAVAUDSVC determined that 92 of the 565 MLSD records between March 31, 2008, and April 14, 2009, addressed stolen computers. The NAVAUDSVC review of the 92 MLSD records for stolen computers showed that records for 10 pieces of equipment (9 computers and 1 “smart” cell phone) included documents uploaded by customer technical representatives that contained PII consisting of Social Security numbers, driver’s license numbers, vehicle identification numbers, dates of birth, and places of birth, which are among the most sensitive types of PII. This situation existed because customer technical representatives occasionally uploaded attachments. PEO-EIS was unaware that PII was contained in the records on the “MLSD Tracking Log”; and oversight was not sufficient to ensure that such information was safeguarded. Although the MLSD form does not contain a data field for SSN, some MLSD forms for reporting stolen computers included attached documents, such as police reports, incident reports, offense reports, sworn statements, and witness statements that contained such information. NAVAUDSVC alerted the NMCI Program Office (within

PEO-EIS) of their findings. The NMCI Program Office blocked access to the site and promptly locked it down after receiving notification of the NAVAUDSVC alert. As a result of NAVAUDSVC finding that the PII was not properly safeguarded, the NMCI Program Manager notified 13 individuals that their PII had been accessible on the Web site and that they were at risk for identity theft. (Report No. N2010-0011)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

E-2D ADVANCED HAWKEYE RADAR

The audit objective was to verify that the overall performance objective of the E-2D AHE radar was being effectively and efficiently achieved. NAVAUDSVC found that the program office was managing the radar system effectively to achieve the overall performance objective. The program office had a planning process with a logical progression towards resolution of the radar issues identified in the Operational Assessment and Developmental Testing concluded in 2008. Because of initiatives undertaken by the Milestone Decision Authority to satisfy oversight requirements, and supporting documentation provided by the program office, no recommendations were made, and no management response was required. (Report No. N2010-0001)

SELECTED CONTRACTS AND CONTRACT ACTIVITIES AT FLEET AND INDUSTRIAL SUPPLY CENTER SIGONELLA, ITALY

The audit objective was to verify that contracts were awarded and administered in accordance with applicable laws and regulations, and in the best interests of the Department of the Navy, at FISCSI in Sicily, Italy. NAVAUDSVC found that the Sigonella office and the Navy Regional Contracting Detachment Naples did not provide sufficient contract solicitation and administration oversight to ensure that all formal records of solicitation were completed and documented. FISCSI was not performing contract management oversight procedures to ensure that documentation requirements were being followed. NAVAUDSVC recommended the establishment and implementation of management oversight procedures. (Report No. N2010-0008)

PRICING FOR COMMERCIAL ACQUISITION

The audit objective was to verify that contracting officials were obtaining and properly documenting fair and reasonable price determinations for commercial acquisitions in accordance with applicable laws and regulations. NAVAUDSVC found Naval Air Systems Command and Naval Sea Systems Command contracting offices' files for at least 25 percent of contract actions did not contain sufficient documentation to demonstrate that actions were taken to ensure that prices paid were fair and reasonable before the contract actions were awarded. NAVAIR has taken necessary actions; however, it needs to continue to strengthen its internal controls and management oversight activities over commercial acquisitions. NAVSEA needs to strengthen its internal controls, management oversight, and monitoring activities and provide the necessary training to ensure its contracting officials obtain and properly document fair and reasonable prices for commercial acquisitions. (Report No. N2010-0009)

FINANCIAL MANAGEMENT

BUREAU OF MEDICINE AND SURGERY'S INTERNAL CONTROLS FOR PERSONNEL PAY

The Bureau of Medicine and Surgery's medical centers audited had sufficient internal controls to ensure that gross pay transactions were properly authorized and supported. However, opportunities existed to improve internal controls over compensatory time and overtime charges, and over records retention. These problems occurred because BUMED lacked sufficient time and attendance guidance. The recommendations addressed the establishment of comprehensive time and attendance guidance; that employees attested (signed) to their timesheets; that oversight and monitoring of compensatory time and overtime be provided (with required documentation properly retained); and that BUMED Instruction 12000.1E be updated to align with internal control guidance. (Report No. N2010-0010)

INFRASTRUCTURE AND ENVIRONMENT

DEVELOPMENT AND UTILIZATION OF ALTERNATIVE FUEL VEHICLE PROGRAM INFRASTRUCTURE AT SELECTED DEPARTMENT OF NAVY INSTALLATIONS

The audit objective was to verify that DoN had a plan and process in place to develop its Alternative Fuel Vehicle Program infrastructure, and was effectively and efficiently using existing alternative fuel sources. NAVAUDSVC found that some DoN installations reviewed did not fully implement the "DoN Petroleum Reduction and AFVs Strategy." Specifically, NAVAUDSVC found that five of eight installations reviewed without infrastructure in place to support AFVs had a plan or process in place to develop infrastructure to support all AFVs acquired, and alternative fuel infrastructure was forthcoming. However, three of eight installations reviewed either did not have a plan or process in place, or had not taken all the necessary steps to overcome barriers to developing infrastructure to support 446 AFVs they acquired from the General Services Administration. Additionally, the seven DoN installations reviewed that had alternative fuel infrastructure in place did not provide sufficient oversight of the AFV Program, frequently did not fuel AFVs with alternative fuel when available, and did not have complete visibility of vehicle mileage and fuel consumption. Further, inaccurate fuel consumption was reported to DoN management in the FY 2008 Federal Automotive Statistical Tool Report. Additionally, Marine Corps Installations and Logistics and the Naval Facilities Engineering Command did not have sufficient internal controls in place over the fleet cards at five of the installations reviewed within their commands.

As a result, DoN was not maximizing its potential to lower petroleum use and dependence on foreign petroleum because sufficient infrastructure was not in place to support some of the AFVs. DoN installations reviewed underutilized existing alternative fuel infrastructure ranging from 20 to 100 percent, and could not meet annual executive order petroleum reduction requirements. Inaccurate information was reported to DoN management and the insufficient internal control environment governing the DoN fleet card program increased the potential for fraud, waste, and abuse.

Inaccurate mileage information may have been reported to GSA for vehicle lease billing and payment purposes, and the Marine Corps and Navy did not have reliable information to verify the accuracy of fees billed by GSA. (Report No. N2010-0020)

SELECTED DEPARTMENT OF THE NAVY MILITARY CONSTRUCTION PROJECTS PROPOSED FOR FY 2011

The audit objective was to verify that the Department of the Navy's MILCON projects are needed and the scope requirements are supported when the selected MILCON projects are submitted to Financial Management and Budget for consideration for FY 2011 funding. NAVAUDSVC found that all 19 MILCON projects audited were needed; however, 15 MILCON projects were not sized in accordance with appropriate criteria or did not include only authorized or required items. The scopes of the projects were overstated by \$23.3 million, which NAVAUDSVC claimed as funds potentially available for other use. NAVAUDSVC recommended the Commander Navy Installations Command and Commandant of the Marine Corps correct the scope of the over scoped and under scoped projects and put the \$23.3 million to better use. Management concurred with all recommendations and the \$23.3 million, and all planned and completed corrective actions met the intent of the recommendations. (Report No. N2010-0013)

NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service is the primary law enforcement and counterintelligence arm of the Department of the Navy. It works closely with other local, state and federal agencies on serious crimes including terrorism, espionage, and computer intrusion. NCIS supports efforts aimed at detecting, deterring and disrupting terrorism against DoD and DoN personnel and assets worldwide. It provides a wide array of offensive and defensive capabilities to combat terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and areas to which naval expeditionary forces deploy.

SUPPORT TO U.S. AFRICA COMMAND

- NCIS continued its support to Combined Joint Task Force 151, the multinational effort conducting counter-piracy operations in the Gulf of Aden, Arabian Sea, Indian Ocean, and Red Sea, with piracy interdiction efforts through intelligence collection, source development, and training for Visit, Board, Search, and Seizure teams.



NCIS supports Combined Joint Task Force 151 in multinational effort conducting counter-piracy operations.

- NCIS provided counterintelligence, human intelligence, and force protection support to the Commander, Joint Task Force-Horn of Africa, as well as force protection and criminal investigative support for the commanding officer of Camp Lemonier.
- As personal security advisors to the Commander Joint Task Force-Horn of Africa, the supervised security teams are composed of Marine Corps military policemen and Navy masters-at-arms while providing continuous coordination with non-U.S. security forces to ensure the safety of CJTF-HOA when traveling outside of U.S. control.
- As a result of post-incident investigation and investigative support, more than 50 Intelligence Information Reports were produced in support of anti-piracy and counter-piracy mission efforts.
- NCIS special agents conducted crime scene investigations on numerous seized pirate skiffs, mother ships, and other captured vessels; conducted interviews of victim crew members; and interrogated or debriefed captured pirates.

- NCIS special agents presented evidence and two investigative reports to government of Kenya prosecutors; testified during a Kenyan prosecution of captured pirates; and prepared an investigative report to support a government of Tanzania prosecution of eight captured pirate suspects.

AFGHANISTAN THEATRE OF OPERATIONS

- NCIS continued criminal investigative, cyber forensic expertise, and counterintelligence support to the Joint Counterintelligence Unit-Afghanistan, Marine Expeditionary Forces-Afghanistan, and Special Operations Forces.

IRAQ THEATRE OF OPERATIONS

- NCIS continued to provide criminal investigative, cyber forensic expertise, and counterintelligence support to Joint Counterintelligence Unit-Iraq, to the Marine Expeditionary Forces-Iraq, and to the commanding general of the Multi-National Forces-West.
- NCIS provided advisors to the Multi-National Security Transition Command-Iraq on the Intelligence Transition Teams, working directly with Coalition Armed Forces and Iraqi Security Forces to aid the government of Iraq in establishing a new defense and criminal intelligence structure.
- NCIS agents deployed as Task Force-16 Counterintelligence Coordinating Authorities.

OTHER SIGNIFICANT OPERATIONS AND ACCOMPLISHMENTS

- In support of the Commander, Naval Forces Southern Command's 2010 Haiti Unified Response efforts, NCIS personnel provided humanitarian assistance, disaster relief, and force protection in Haiti and Guantanamo Bay, Cuba. Additionally, NCIS personnel provided physical security and force protection/anti-terrorism guidance onboard the USS NORMANDY and ashore.
- NCIS, at the request of Force Protection Detachment of Indonesia, provided protective service operations training for 30 Indonesian security specialists who are responsible for the Indonesian President's personal protection. These security specialists were selected to support an anticipated March 2010 visit by President Obama. The training was lauded by Cameron Hume,

U.S. Ambassador to Indonesia, as an exceptional performance and host-nation relationship building activity.

- NCIS continued to staff anti-piracy assistance teams to instruct civilian U.S. flagged vessels on piracy tactics and trends in regions prone to piracy. The APATs are comprised of staff from NCIS, Military Sealift Command, and Department of Transportation's Maritime Administration.
- NCIS personnel, at the request of the U.S. Transportation Command, supported a transit through known piracy waters in the Gulf of Aden onboard the M/V Liberty. This joint operation strengthened interagency communication between TRANSCOM and NCIS, and enhanced future anti-piracy working relationships.

SIGNIFICANT CASES

LARCENY AND TRAFFICKING IN STOLEN MILITARY PROPERTY

A cooperating witness informed NCIS that a Marine Corps lance corporal was attempting to sell more than \$70,000 in rifle optics and accessories that had been stolen during a burglary at a supply facility on Marine Corps Base Camp Lejeune, N.C. The lance corporal was apprehended by NCIS when he produced the stolen items to a NCIS undercover agent. The suspect pled guilty at general court-martial at Camp Lejeune and was sentenced to eight years confinement.

EMBEZZLEMENT OF NAVY EXCHANGE FUNDS

A Navy Exchange Command criminal referral resulted in NCIS initiating an investigation that implicated a Navy Exchange Service Command's financial manager for embezzling NEXCOM funds. The suspect confessed to creating fraudulent invoices and check requests. She also admitted depositing the checks made payable to the fictitious companies into her own accounts or submitting the checks directly to her creditors for paying personal debts. The suspect embezzled more than \$745,000 during the scheme. She was convicted of theft of public property in U.S. District Court for the Eastern District of Virginia; sentenced to 40 months confinement and ordered to pay \$749,000 in restitution.

AIR FORCE

AIR FORCE AUDIT AGENCY

The Air Force Audit Agency provides all levels of Air Force management with independent, objective, and quality audit services by reviewing and promoting the economy, effectiveness, and efficiency of operations; evaluating programs and activities and assisting management in achieving intended results; and assessing and improving Air Force fiduciary stewardship and accuracy of financial reporting. Organized into three line directorates, the AFAA conducts centrally directed audits in numerous functional areas that provide support to Air Force senior leaders. AFAA also has audit teams at more than 50 locations providing audit services to installation commanders.

The Financial and Systems Audits Directorate, headquartered at March Air Reserve Base, Calif., directs audits related to financial management, financial support, information systems development, communications systems, and system security. AFAA/FS also manages the Financial and Systems Audits Region located at March ARB, California, with five area audit offices at 19 Air Force installations and five operating locations.

The Support and Personnel Audits Directorate, headquartered at Brooks City-Base, Texas, directs audits related to operational support, personnel, training, engineering support, support services, environmental issues, intelligence operations, and health care. AFAA/SP also manages the Support and Personnel Audits Region located at Brooks City-Base, Texas with five area audit offices at 14 Air Force installations and 7 additional operating locations.

The Acquisition and Logistics Audits Directorate, headquartered at Wright-Patterson Air Force Base, Ohio, directs audits related to procurement, maintenance, supply, transportation, and weapon systems acquisition. AFAA/QL also manages the Acquisition and Logistics Audits Region located at Wright-Patterson Air Force Base, Ohio, with five area audit offices and two additional operating locations.

In the last six months, audit efforts focused on the following key management challenge areas: Joint Warfighting and Readiness; Information Security and Privacy; Acquisition Processes and Contract Management; Financial Management; Health Care; Nuclear Enterprise;

and American Recovery and Reinvestment Act. These efforts have resulted in more than \$830.9 million in potential monetary benefits.

The following are examples of audit coverage performed by AFAA related to the following DoD management challenge areas.

JOINT WARFIGHTING AND READINESS

INDIVIDUAL BODY ARMOR

U.S. Central Command required service members and DoD civilians deployed to Iraq and Afghanistan to have individual body armor as part of their personal protective equipment, protecting against ballistic threats. Beginning in May 2005, Air Force Central logistics personnel pre-positioned protective equipment at three expeditionary Theatre distribution centers within the CENTCOM area of responsibility to store and issue protective equipment, including IBA. This audit determined Air Force personnel overstated IBA authorizations after pre-positioning IBA in the CENTCOM area of responsibility. To illustrate, home station installations maintained almost 49,000 IBA authorizations to service less than 15,000 deployments over a 20-month period. Using a demand-based methodology, the Air Force could eliminate more than 31,000 IBA sets at the 16 locations reviewed. Auditors project using demand-based authorizations for IBA would reduce Air Force-wide authorizations by more than 70,200, thus allowing the Air Force to put at least \$210 million to better use. Additionally, although Air Force logistics personnel properly controlled IBA, they did not properly account for inventories. Auditors identified an overall IBA inventory error rate of 19.6 percent, with installation error rates as high as 82 percent. Effective accountability and accurate IBA inventory data reduces the risk of theft and abuse of these highly pilferable assets, costing more than \$314 million. (Report No. F-2010-0001-FD3000)

PACIFIC AIR FORCES WAR RESERVE MATERIEL

War Reserve Materiel are assets acquired, positioned, and maintained to meet Secretary of Defense Strategic Planning Guidance objectives. As such, WRM assets include equipment, vehicles, supplies, fuel, and munitions support wartime activities reflected in the Air Force War and Mobilization Plan for requirements over and above

primary operating stocks and peacetime requirements. An audit revealed Pacific Air Forces personnel did not accurately determine WRM requirements as outlined by the applicable allowance standards and did not accurately maintain WRM authorizations to meet anticipated mission needs. In addition, although PACAF personnel properly accounted for, marked, and stored WRM equipment, they did not properly maintain all WRM assets. Specifically, PACAF planners exceeded allowance standard authorizations by more than 6,800 assets valued at \$285.6 million without justification for the increase. PACAF personnel also misstated authorizations by almost 4,600 assets valued at nearly \$186.3 million. Establishing accurate WRM levels would allow the Air Force to reduce WRM buy requirements and put \$299.1 million to better use over FYs 2010 through 2015 Future Years Defense Program. Further, accurately reconciling authorizations would have identified the additional need for 555 mission-critical equipment and vehicle assets. Lastly, although PACAF personnel properly maintained WRM vehicles, contractor personnel did not properly maintain 45 (38 percent) of 119 equipment items reviewed. Proper and timely equipment inspection and maintenance provides assurance that mission-critical assets needed to open base installations are ready for contingency operations. (Report No. F-2010-0002-FD3000)

UNITED STATES AIR FORCES CENTRAL DEPLOYED LOCATIONS AREA OF RESPONSIBILITY HAZARDOUS MATERIALS AND HAZARDOUS WASTE

Air Forces Central Environmental, Logistics, Safety, and Bioenvironmental functions oversee hazardous material and waste management in the AFCENT area of responsibility. One of their contingency goals is to minimize risks to human health and the environment without impacting readiness and mission accomplishment. The audit disclosed AFCENT personnel did not accurately account for more than 20,600 (20 percent) hazardous material items in 72 (92 percent) of 78 shops reviewed, properly store hazardous material and waste in 57 (73 percent) of 78 shops, or properly purchase more than 79 (36 percent) of 220 hazardous material line items. As a result, the Air Force placed personnel at higher risk of exposure to agents that cause illness, injury, or death; purchased more hazardous

material than necessary, inefficiently used funds and increased storage requirements; and increased risk of environmental law violations and cleanup costs. (Report No. F-2010-0001-FD1000)

T56 PROPELLER REQUIREMENTS

The four-bladed T56 propeller and Allison Turboprop engine power all variants of the C-130 aircraft, except for the newest C-130J model. The Air Force uses the Secondary Item Requirements System to compute inventory levels and buy requirements for the T56 propeller assembly, which includes four blades and a barrel.



AFAA reviewed inventory requirements of T56 propellers.

Managers use the Comprehensive Engine Management System to record propeller condition, status, and location data. As of June 2009, the Air Force possessed more than 4,200 T56 propellers, valued at approximately \$624.5 million. During FYs 2010 through 2015, the Air Force plans to procure an additional 835 replacement blades and 251 barrels valued at \$27 million. The audit determined Air Force managers could more efficiently compute inventory requirements. While managers maintained T56 propeller inventories at computed levels, they did not recognize opportunities to reduce overall cost while still meeting actual demand. As a result, the Air Force could save more than \$15 million in future blade and barrel buy requirements and propeller

storage costs. Additionally, Air Force personnel did not properly account for the T56 propeller inventory. As a result, Air Force managers did not have accurate on-hand records for T56 propellers. (Report No. F-2010-0002-FC2000)

FOOD SERVICE OPERATIONS

The Air Force operates appropriated fund dining facilities with military, civilian, and contractor personnel supporting daily operations and providing food service training for contingency operations. During FY 2008, the Air Force operated more than 240 appropriated fund dining facilities (including flight kitchens), serving more than 74 million meals and spending more than \$170 million for 70 food service contracts. At the 12 locations reviewed, auditors concluded food service personnel at 8 of 10 locations effectively monitored contract food services and payments totaling more than \$36 million. Conversely, food service personnel at four locations did not establish contract requirements to match actual meal consumption, and one location did not reduce meal service hours to meet actual requirements. Improving food service facility utilization will make more than \$20 million in Operations and Maintenance funds available for other requirements over the six-year Future Years Defense Program. Lastly, personnel did not accurately account for 449 food service equipment items and 2,208 (49 percent) of 4,507 food items. (Report No. F-2010-0004-FD4000)



AFAA reviewed Air Force food service contracts.

INFORMATION SECURITY AND PRIVACY

FOLLOW-UP AUDIT, ACCOUNTABILITY, AND CONTROL OF SECURE TERMINAL EQUIPMENT
Secure Terminal Equipment provides users with secure voice and data communications, and is designed for use on advanced digital communications networks to include the Integrated Services Digital Network. The STE phone provides the application hardware and software while the cryptographic card (KOV-14 or KSV-21) provides the security services. The National Security Agency intended to deactivate KOV-14 cards on December 31, 2009. By January 2010, DoD STE phone users must upgrade STE phone software to Version 2.6 and use the KSV-21 cryptographic key cards for secure communication. The follow-up audit disclosed that although Air Force managers took corrective actions in response to the recommendations in the previous report, STE phone and cryptographic key card utilization and accountability continue to be a problem. Specifically, while managers revised directives to improve STE requirements documentation and accountability, developed local operating instructions, and provided refresher training on STE phone and associated key card operations, unit and communications personnel (a) could not use STE phones on hand for secure communication services because cryptographic key cards were not obtained for all phones; (b) did not properly account for STE phones or investigate and report missing STE items; and (c) did not upgrade STE phone software and purchase associated KSV-21 cards. However, on May 15, 2009, the Chief, Warfighting Integration and Chief Information Officer issued an e-mail to major command vice commanders and Secretariat, Air Staff, and communications personnel instructing them to upgrade STE phone software to Version 2.6 and purchase associated KSV-21 cards by August 14, 2009. If effectively executed, these actions should allow continued secure communication when the National Security Agency deactivates KOV-14 cryptographic key cards on December 31, 2009. (Report No. F-2010-0001-FB4000)

CONTRACTOR CIRCUIT SECURITY

Circuits are telecommunication connections providing information transfer services to include voice, data,

video, and messaging. Long-distance circuits beyond the installation boundary are commonly referred to as long-haul circuits. The Air Force uses long-haul circuits to provide contractor facility connections. All contractor connections to the Defense Information System Network require a DoD sponsor, separate connection request, filtered access, accreditation, and registration in the Defense Information Systems Agency Systems/Networks Approval Process database. Except for the circuits listed in the database, the Air Force does not track contractor circuits and, therefore, does not know the number and characteristics of existing circuits Air Force-wide or where the circuits are located. Auditors concluded installation communications personnel did not comply with requirements for establishing circuit connections to contractor facilities, obtaining security accreditations for contractor circuits, and registering contractor circuits in the database. Noncompliance with long-haul contractor circuit requirements allows installations to obtain their own connections without Air Force network operations visibility. In addition, without proper security accreditation, contractor circuit vulnerabilities could exist and go undetected, placing the Air Force Enterprise Network at risk. (Report No. F-2010-0003-FB4000)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

SELECTED FINANCIAL ASPECTS OF THE SENIOR LEADERS IN-TRANSIT CONFERENCE CAPSULE AND SENIOR LEADERS IN-TRANSIT PALLET PROGRAM

Air Mobility Command supports Operational Support Airlift and Very Important Persons Special Airlift Missions for DoD, other federal agencies, and the Congress. Senior government official travel involves providing secure communications, space for conducting sensitive meetings, and ability to rest while aircraft are enroute. To help meet the requirement, HQ AMC initiated the Senior Leaders In-Transit Conference Capsule and Senior Leaders In-Transit Pallet Program to configure existing cargo aircraft for senior government official transport. The SLICC is a self-contained airborne travel module with communication interface connections as well as conferencing and berthing capabilities. The SLIP is an open air pallet with reclining airline seats for senior leaders and

support staff. Both the SLICC and SLIP are mounted on standard cargo pallets. HQ AMC officials selected the Air Force Research Laboratory, located at Wright-Patterson AFB, to administer the SLICC and SLIP procurement effort and manage related funding. The audit revealed Air Force Research Laboratory officials effectively managed SLICC/SLIP program funding and sufficiently supported program expenditures. Specifically, financial managers effectively managed the three different appropriated funds in accordance with fiscal law (purpose, timing, and amount) to acquire SLICC and SLIP assets. Payment vouchers and financial management system reports sufficiently supported program expenditures and proper use of appropriated funds. However, although HQ AMC officials properly submitted the new start notification for the initial SLICC procurement, they did not provide a subsequent new start notification for the SLIP assets and related program costs including sustainment, spare parts, and airworthiness certifications. Congressional notification is necessary to ensure funding is available for mission support assets and related expenses. (Report No. F-2010-0001-FB1000)

GOVERNMENT-FURNISHED EQUIPMENT AND MATERIAL ON SERVICE CONTRACTS

Government-furnished property includes equipment and material in the possession of or acquired by the government and subsequently furnished to a contractor to facilitate contract performance. The decision and support for providing GFP should demonstrate that it is in the best interest of the government. The government property administration process helps ensure government property in the custody of contractors is managed and reported in accordance with the Federal Acquisition Regulation and contractual requirements. Auditors concluded Air Force personnel could more effectively manage government property authorized on service contracts. Specifically, contracting personnel did not always obtain or maintain adequate documentation to clearly justify and authorize government property. Documented justification would have clearly demonstrated that more than \$1.1 billion of Air Force-provided GFP was in the government's best interest. Furthermore, neither Air Force nor contractor personnel effectively controlled nor accurately accounted for GFP authorized on service contracts. Effectively controlling and accurately accounting for GFP protects

government assets from loss, theft, and misuse; provides reliable decision-making information; and facilitates annual reporting. However, for the contracts sampled, Air Force personnel did not have adequate visibility, control, and accountability of at least \$27.8 million of unmarked items and \$8.7 million of GFP recorded in the property records. The auditors estimated GFP valued at more than \$63.6 million may be lost, missing, or not properly recorded on accountability records. Lastly, contractors did not effectively comply with Federal Acquisition Regulations and contract requirements to annually report GFP. (Report No. F-2010-0001-FC1000)

AIR FORCE RESEARCH LABORATORY GOVERNMENT PROPERTY

The Air Force Research Laboratory relies extensively on contractors to provide scientific and technological advances for the Air Force. Government property in the possession of contractors consists of either government-furnished property or contractor-acquired property/materials. Government property is provided to the contractor only when necessary to execute contract requirements. The audit disclosed AFRL personnel did not properly (a) authorize the purchase or use of government property by contractors; (b) account for government property in the laboratories; and (c) establish effective controls for the disposal of government property. As a result, laboratory personnel possessed nearly \$2 million of assets that were not maintained on any accountability records. Assets not maintained on accountability records are highly susceptible to theft, loss, and misuse. Furthermore, the Air Force could incur additional costs for duplicate equipment acquisitions or storage of unneeded assets. (Report No. F-2010-0001-FC3000)

FINANCIAL MANAGEMENT

FOLLOW-UP AUDIT, HEADQUARTERS AIR FORCE RESOURCE MANAGEMENT– MISCELLANEOUS OBLIGATION/ REIMBURSEMENT DOCUMENTS

DoD Financial Management Regulation 7000.14-R, Volume 14, Administrative Control of Funds and Anti-deficiency Act Violations, authorizes DoD officials to

create and record obligations within statutory limitations and requires recorded obligations be supported by valid contractual documents. Air Force resource managers routinely use Miscellaneous Obligation Reimbursement Documents to record known obligations when contractual documents are not readily available. HQ Air Force Resource Management officials perform major command comptroller functions supporting requirements of 62 HQ Air Force directorates and field operating agencies. The follow-up audit disclosed that while HAF/RM officials achieved monetary benefits totaling more than \$46 million from the prior report, resource managers and advisors did not effectively address or correct conditions previously identified (repeat findings). Specifically, HAF/RM resource managers and advisors did not (a) maintain required supporting documentation to establish and pay MORDs and (b) validate and promptly deobligate unneeded MORD unliquidated obligation balances. Effective controls over MORD establishment and payment allow for more efficient use of scarce Air Force funds. In July 2009, HAF/RM resource advisors deobligated unneeded MORD unliquidated obligation balances, allowing \$15.9 million to be used for other requirements. (Report No. F-2010-0003-FB1000)

OPERATIONS AND MAINTENANCE FUNDS PROGRAMMING

Within DoD, Operations and Maintenance appropriations fund dynamic requirements that often change between the budget formulation and execution phases. Air Force officials address these changing priorities through appropriate reprogramming actions. Auditors concluded Air Force officials did not evaluate historical funds execution trends when adjusting programmed amounts, and did not effectively monitor funds execution to ensure alignment with future O&M programs. As a result, Air Force program officials' over- and under-programmed a collective \$24 billion over the 5-year budget period reviewed. Enhanced O&M funds alignment during the programming process can improve resource allocation decisions, reduce inefficient funds realignment during execution years, provide better visibility into actual requirements, and avoid putting funds at risk of congressional action. (Report No. F-2010-0006-FB1000)

ENERGY METERING PROGRAM

The Energy Policy Act of 2005 requires all federal buildings to use electric meters to the maximum extent practicable by the year 2012. To comply with this requirement, the Air Force must determine whether to install low-cost standard or high-cost advanced meters. DoD directs the use of advanced meters with remote metering capability where it is cost effective and practical. While advanced meters do not constitute a direct energy conservation measure, data collected through advanced metering can lead to energy and cost savings in conjunction with an energy monitoring and control system. The Air Force established a benchmark to install advanced meters on existing facilities exceeding 35,000 square feet. The audit disclosed that although personnel used the most effective energy monitoring and control systems, Air Force civil engineers purchased high-cost advanced meters for 926 (57 percent) of 1,618 facilities not meeting the Air Force benchmarks. In addition, 10 of 13 installation engineers did not verify capabilities of on-hand assets prior to purchasing additional meters. As a result, the Air Force unnecessarily purchased high-cost advanced meters when standard meters would have satisfied the requirement. By only placing advanced meters on facilities meeting cost effectiveness criteria, personnel can reduce meter purchases and provide the Air Force a one-time potential monetary benefit of approximately \$6.4 million. (Report No. F-2010-0004-FD1000)

OVERSEAS CONTINGENCY OPERATIONS FUNDS FOR MEDICAL SUPPORT

Overseas Contingency Operations funds for medical support enable a military treatment facility to maintain capabilities during deployment and contingency operations. MTF management should pursue viable medical backfill options, such as contract, civilian employee, or manning assistance, to maintain the peacetime mission. During FY 2008, the Air Force Surgeon General received \$146 million for OCO requirements of which approximately 80 percent were obligated for medical backfill contract positions, with the remaining 20 percent used for other deployment-related costs. The audit determined OCO obligation transactions were accurately recorded and reported in the accounting

system used to produce the OCO Cost of War Report, and obligation transactions were properly supported with sufficient documentation. However, medical personnel did not properly and effectively request and use OCO funds to obtain OCO contingency-related providers. In particular, MTF officials did not take effective contracting actions to obligate \$22 million in OCO funds to backfill deployed provider positions. Conversely, MTF officials used more than \$17 million in OCO funds to obtain contract individuals to backfill positions that were not impacted by deployments. Full use of OCO funds mitigates the negative effect of personnel deployments in health care access and avoids placing unnecessary workload burden on the remaining provider staff. Improperly using contingency funds for non-contingency-related needs distorts the true cost of war-related operations and deprives other services of funds needed for valid OCO needs. Finally, medical personnel did not effectively and timely identify more than 70 percent of OCO obligation funds no longer needed for medical support. As a result, Air Force financial managers retained more than \$19 million of invalid obligations using FY 2005 through FY 2008 OCO funds that could be made available for other valid requirements. (Report No. F-2010-0001-FD2000)



AFAA reviewed Overseas Contingency Operations funds for medical support.

GOVERNMENT-FURNISHED EQUIPMENT FINANCIAL STATEMENT REPORTING

When in the best interest of the government, the Air Force provides contractors government-furnished equipment to complete contract work. Federal accounting standards require the Air Force to report equipment, to include government-furnished equipment, exceeding \$100,000 in the financial statements. The 2008 Air Force Financial Statements did not include government-furnished equipment in the reported General Equipment total (\$36 billion acquisition value and \$7 billion net book value). Furthermore, the Air Force could not provide the total government-furnished equipment dollar value. However, as of February 18, 2009, contractors reported they maintained more than \$22 billion of government-furnished equipment (acquisition value) in their possession. Auditors determined Air Force procedures and actions to improve the accounting and reporting of GFE in financial statements required significant improvement. Specifically, Air Force personnel did not account for government-furnished equipment in the Air Force Equipment Management System and did not maintain the related documentary support. As a result, the Air Force lost fiscal accountability of government-furnished equipment in excess of \$22 billion (acquisition value), and of that amount, was unable to determine how much was financially reportable (exceeding \$100,000). In addition, Air Force personnel did not take effective actions to improve government-furnished equipment financial reporting. As a result, the Air Force imposed financial reporting of government assets onto contractors and transferred fiduciary responsibility away from the Air Force. (Report No. F-2010-0005-FB3000)

HEALTH CARE

PUBLIC ACCESS DEFIBRILLATORS

Military commanders are responsible for implementing public access defibrillator programs in Air Force facilities in accordance with federal guidelines. Properly implemented PAD programs have achieved average survival rates as high as 50 percent for out-of-hospital cardiac arrests. At all 13 Air Force installations reviewed, auditors identified systemic discrepancies for at least 98 percent of the automated electronic defibrillators and

concluded Air Force personnel did not effectively manage PAD programs. Specifically, personnel did not properly (a) appoint and train PAD program participants; (b) establish AED requirements; (c) account for, inspect, and maintain AEDs; and (d) perform post-event assessments. An effective PAD program can help save lives by providing fully functional AEDs and trained personnel to reduce the response time for treating individuals suffering from sudden cardiac arrest. (Report No. F-2010-0002-FD2000)

AIR FORCE BLOOD PROGRAM

As part of the Air Force Blood Program, personnel collect, test, and distribute blood products to medical facilities worldwide. To supplement voluntary donations collected at blood donor centers, Air Force personnel use credit agreements with civilian agencies to obtain additional blood products when necessary. This audit disclosed Air Force medical personnel did not properly account for blood products at five of nine locations. While auditors found no instances of expired blood/incorrect blood types inadvertently being used as a result of inadequate accountability, inventory accuracy is critical to prevent



AFAA reviewed the inventory of blood products at medical facilities.

this from occurring and to be able to trace blood products from original donor to final disposition. Additionally, medical personnel did not adequately manage blood credits; however, personnel could improve management over available inventory by redistributing excess products rather than purchasing the products from outside sources. Managing the blood program more efficiently could save the Air Force more than \$300,000 over the six-year Future Years Defense Program by transferring blood products between Air Force facilities rather than purchasing products from an outside source. Lastly, personnel improperly sold salvaged blood products to commercial vendors in return for monetary credit and used the credits to purchase items instead of depositing the money into the U.S. Treasury. The unauthorized sales of blood products and use of proceeds increases the potential for fraud, waste, and abuse, and unauthorized contracting creates an unnecessary liability to the Air Force. (Report No. F-2010-0003-FD2000)

MENTAL HEALTH PROVIDER PRODUCTIVITY

In 1994, DoD introduced TRICARE, a managed medical care system to provide better access and quality while maintaining the capability to support military operations. Under this concept, active duty and retired personnel, and their dependent families are provided a health care program that combines both direct (Air Force in-house capabilities) and indirect medical services (Air Force purchases of medical services from commercial sources). If medical treatment cannot be provided within military treatment facilities, the facility commander is responsible for purchasing the medical care from civilian providers. Auditors concluded Air Force mental health providers could increase the number of patients treated by improving patient appointment processes. Specifically, optimizing appointments at the 13 locations reviewed will allow mental health providers the opportunity to treat, on average, an additional three patients per day (more than 56,500 patients annually). Further, auditors estimate increasing provider productivity would potentially allow military treatment facilities to provide greater quantities of care in-house and avoid purchasing private sector medical care, costing approximately \$14.4 million over the six-year Future Years Defense Program. (Report No. F-2010-0004-FD2000)

NUCLEAR ENTERPRISE

NUCLEAR DATA VALIDATION

Reinvigorating the Nuclear Enterprise remains the Air Force's highest priority. Recent Nuclear Enterprise improvements include creation of the Air Force Global Strike Command; consolidation of all Air Force nuclear sustainment matters under an expanded Nuclear Weapons Center; and establishment of a Strategic Deterrence and Nuclear Integration Air Staff directorate. The Air Force Nuclear Task Force published an October 24, 2008 roadmap titled Reinvigorating the Air Force Nuclear Enterprise (referred to as the Roadmap). The Roadmap is the Secretary of the Air Force's strategic plan to revitalize the Air Force Nuclear Enterprise. This audit disclosed roadmap data collection methods required improvement. Although Air Force officials properly processed and certified data in accordance with the Air Force Nuclear Roadmap Assessment Internal Control Plan and ensured responses were consistent across the Nuclear Enterprise, opportunities existed to strengthen the Roadmap data collection process. Specifically, major command officials did not maintain documentation needed to support and validate ICP data call responses for 9 of 31 measures reviewed. Without supporting documentation, auditors were unable to fully assess the reliability of data call responses used to report Nuclear Enterprise status and trends to DoD, national leaders, and nuclear oversight bodies. (Report No. F-2010-0003-FD3000)

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

The American Recovery and Reinvestment Act of 2009 was signed into law February 17, 2009. The purpose of the law was to create and save jobs, jump-start the economy, and create a foundation for long-term economic growth. The Act allowed the Air Force to address unfunded facility requirements. The Air Force Audit Agency conducted the following three audits evaluating the use of Recovery Act funds.

- **American Recovery and Reinvestment Act of 2009 Program Execution – Facilities Sustainment, Restoration, and Modernization**

The Recovery Act provided funding for 1,548 Facilities Sustainment, Restoration, and Modernization projects

valued at \$1.15 billion. This audit was applied at 22 locations evaluating 100 percent of the projects at 18 locations and only Military Family Housing projects at 4 locations. AFAA concluded that Air Force personnel properly competed contracts, quickly infused more than \$850 million of Recovery Act funds into the economy, and selected projects in accordance with guidance. However, Air Force officials were not prepared to verify or validate jobs created/retained. Thus, there was no assurance the goal and intent of the Recovery Act was achieved. In addition, officials did not always choose adequately justified projects or projects representing valid, most urgent requirement, or greatest need. Correcting high-priority facility problems helps improve Air Force operations and increases airmen's quality of life. Additionally, not all Recovery Act contractual information (transparency requirements) was available to the public. The timely and accurate reporting of funds distribution is crucial to the success of the Recovery Act and easing taxpayer concerns. Further, Air Force officials did not include all significant Federal Acquisition Regulation clauses in all solicitations or contracts. As a result, contractors may be unable to fulfill or adhere to all Recovery Act contract requirements. Finally, personnel did not ensure Automated Civil Engineer System-Project Management estimates were updated and accurate. Consequently, the Air Force did not optimize funds distribution to major commands and installations. (Report No. F-2010-0007-FD1000)

- **American Recovery and Reinvestment Act of 2009
Military Construction**

The Recovery Act provided funding for 13 active Air Force military construction projects valued at \$260 million. This audit evaluated seven Air Force MILCON projects valued at \$103 million in Recovery Act funds. AFAA concluded that Air Force Civil Engineering personnel properly justified and conducted environmental studies for all seven Recovery Act MILCON projects. However, Air Force personnel (a) overstated \$9.2 million in cost estimates for four projects, (b) could not support and justify \$5.98 million in MILCON requirements for four projects, and (c) did not obtain and coordinate economic analysis or waivers as required for five projects. Reducing overstated cost

estimates would make \$9.2 million available for other valid Recovery Act MILCON projects. In addition, without proper documentation, the Air Force does not have the required environmental and economic detail to make informed construction decisions. Lastly, auditors were unable to determine whether personnel include all new Federal Acquisition Regulation clauses in Recovery Act contracts, accurately reported project information (transparency), and achieved Recovery Act goals (fostering competition, expeditiously awarding contracts, creating/retaining jobs) as no MILCON contracts were awarded as of the audit date. Auditors will evaluate these audit objectives in another audit once contracts are awarded. (Report No. F-2010-0008-FD1000)

- **American Recovery and Reinvestment Act of 2009
Air National Guard Military Construction**

The Recovery Act provided funding for 10 Air National Guard military construction projects valued at \$50 million. This audit evaluated six ANG MILCON projects valued at \$27.9 million in Recovery Act funds. AFAA concluded that ANG Civil Engineering personnel properly justified and conducted environmental studies for all six Recovery Act MILCON projects. However, ANG personnel (a) overstated \$7.6 million in cost estimates for three projects, (b) could not support and justify \$8.7 million in MILCON requirements for three projects, (c) did not obtain and coordinate economic analysis or waivers as required for five projects, and (d) did not include all new Federal Acquisition Regulation clauses in Recovery Act contracts or solicitations at four of five locations. Reducing overstated cost estimates would make \$7.6 million available for other valid Recovery Act MILCON projects. In addition, without proper documentation, the ANG does not have the required environmental and economic detail to make informed construction decisions. Lastly, auditors were unable to determine whether personnel accurately reported project information (transparency) and achieved Recovery Act goals (fostering competition, expeditiously awarding contracts, creating/retaining jobs) as no ANG MILCON contracts were awarded as of the audit date. Auditors will evaluate these audit objectives in another audit once contracts are awarded. (Report No. F-2010-0009-FD1000)

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

The Air Force Office of Special Investigations is a field operating agency accountable to the Secretary of the Air Force, under the direction and guidance of the Inspector General of the Air Force. It is a combat-ready military organization that provides the Air Force a wartime capability to conduct counter-threat operations to find, fix, track, and neutralize enemy threats in hostile and uncertain environments. It also serves as the Air Force's focal point for working with United States and foreign nation law enforcement and security services to provide timely and accurate threat information in all environments. It operates as a federal law enforcement agency with responsibility for conducting criminal investigations, counterintelligence, specialized investigative activities, protective service operations, and integrated force protection for the Air Force.

A more specific outline of AFOSI operations in Afghanistan and Iraq follows.

AFGHANISTAN THEATRE OF OPERATIONS

KANDAHAR

- As a direct result of AFOSI threat reporting, U.S. forces conducted multiple operations in western Kandahar and eastern Helmand Provinces, leading to the neutralization or capture of 12 insurgents and to the discovery and destruction of 2,500 pounds of black tar heroin.
- AFOSI members collected information instrumental in tracking and arresting a previously incarcerated insurgent who was involved in narcotics trafficking and planning the summer 2008 Sarposa Prison escape. He was also responsible for multiple attacks on coalition forces.
- Two Unmanned Aerial Vehicles that were lost during NATO operations were safely recovered as a result of information developed by AFOSI members. Recovering these vehicles denied possible transfer of sensitive technology to anti-coalition forces.
- In Kandahar City, AFOSI members assisted with tracking a Taliban cell member responsible for a suicide vehicle-borne IED attack that killed three Afghan National Directorate of Security agents. U.S. forces

used the information provided by AFOSI to capture the target and an additional cell member.

- An Afghan national government employee responsible for convoy operations within the Kandahar Province was identified by AFOSI as an active insurgent facilitator. Based on information provided by AFOSI, NATO and local forces conducted an operation to capture the target. The operation yielded the arrest of the target and three additional associates, all of whom tested positive for the presence of explosives. Additionally, during a search of the target's compound, a complete and ready to emplace IED and several additional components were located and seized.



AFOSI special agents work with Afghan National Security.

BAGRAM AIR BASE

- AFOSI conducted a month-long operation culminating in the successful capture of an Afghan National policeman involved with insurgent/Taliban support activities, murders, and reporting the locations of coalition forces. Agents also developed intelligence that directly incriminated an Afghan National police chief for his corruption and insurgent activities.
- AFOSI members collected actionable data and coordinated the capture of a Hezb-e-Islami Gulbuddin affiliated Afghan National police commander. This corrupt commander worked aggressively as an insurgent activity enabler. He directed or facilitated



AFOSI special agents in Afghanistan patrol a local village.

several indirect fire and IED attacks on coalition forces; assisted with preparing a suicide vehicle-borne IED that killed three Air Force Provisional Reconstruction Team personnel; and was directly involved in the kidnap and murder of a private American citizen.

- Agents identified, through AFOSI's source network, the location of two anti-armor missiles and notified the U.S. Emergency Ordnance Disposal teams who disposed of the weapons.
- An IED attack against a U.S. forces convoy was averted as the direct result of information provided to AFOSI from local nationals. AFOSI agents identified the unit in danger and immediately sounded the alarm. The convoy was approximately five minutes from the foiled attack site when they were notified, thus being spared personnel injury or possible death.
- AFOSI sources notified agents that insurgents were observed placing an IED in a culvert on a road used by coalition and Afghan forces. AFOSI members forwarded the information to an EOD team and the IED was neutralized.
- While assisting Turkish forces at Bagram Air Field, AFOSI members recognized and detained a Taliban commander, who had successfully infiltrated and embedded himself in the Afghan National Army. The Taliban commander was identified as being responsible for attacks against U.S., British and Italian forces in Kabul.

IRAQ THEATRE OF OPERATIONS

- As a result of shared security responsibilities between Iraqi and American forces, AFOSI members at Joint Base Balad received notification from a concerned local citizen patrol of seven individuals setting up a rocket for an attack on coalition forces. Agents sounded the alarm, alerting patrols who located the rocket and neutralized it in place.
- Information obtained through the AFOSI source network at Ali Air Base allowed elements of the Iraqi police to arrest a prominent member of a local insurgent cell, which resulted in the seizure of evidence used to solidify suspicions of corrupt local government officials.
- Based on intelligence reporting developed by AFOSI agents in Baghdad, U.S. forces tracked down and captured seven individuals suspected of conducting multiple IED attacks against coalition forces including one that resulted in the death of a USAF officer.
- AFOSI members at Kirkuk Regional Air Base participated in an air operation with other U.S. forces that culminated with the arrest of an Islamic Sons of Iraq/Al-Qaida in Iraq Amir, who had ties to senior insurgent leadership and was responsible for indirect fire attacks on coalition forces.
- A Jaysh al-Mahdi special group cell leader was captured as a direct result of threat information collected by AFOSI members in the An Nasiriyah area. This cell leader was responsible for the murder of four Iraqi policemen by means of an IED attack and multiple attacks against coalition forces. He also held a leadership position in the Promise Day Brigade and had coordinated several attacks with other known insurgents.

SIGNIFICANT CASES

BRIBERY OF A PUBLIC OFFICIAL

AFOSI received information that the owner of Samsung Rental, a Korean national, was paying kickbacks to the AAFES general manager of Osan Air Base for favorable treatment relative to a telecommunications contract. Through coordination with the Korean National Police, a search was executed at the Korean national's office and residence leading to the discovery of records revealing kickbacks and gratuities paid to the general manager totaling more than \$78,000 and 10,000 shares of Samsung Rental stock. The Korean national was arrested by the

KNP and admitted to paying kickbacks and gratuities to the general manager. The Korean national was lured to the United States and was arrested by AFOSI, FBI, and IRS agents for conspiracy and bribery of U.S. officials. He pled guilty to two counts of bribery, one count of conspiracy, and two counts of honest services wire fraud. He was debarred from government contracting, sentenced to serve five years in prison and fined \$50,000. The AAFES general manager pled guilty to conspiracy to commit bribery, honest services wire fraud, and filing false tax returns and was sentenced to three years imprisonment and forfeiture of \$70,000.



AFOSI special agent administers a polygraph examination.

MISHANDLING OF CLASSIFIED MATERIAL

A joint AFOSI and FBI investigation revealed a contract employee for Lockheed Martin mishandled classified, proprietary and International Traffic in Arms material by illegally downloading information from her work computer onto a thumb drive and removing the materials from a controlled facility. The contract employee, a test engineer on a classified program dealing with satellite communications, also sent classified e-mails from her work center to her unclassified personal e-mail address, and exchanged e-mails originating from an unclassified personal e-mail account to co-workers. The volume of information stored on an unclassified personal computer

in her home represented a significant potential security breach. The contract employee pled guilty in a plea agreement, was sentenced to 90 days house arrest, and suffered revocation of her security clearance.

MURDER OF A DEPENDENT CHILD (A MILITARY EXTRATERRITORIAL JURISDICTION ACT CASE)

After complaining of stomach pains and a headache, a U.S. Air Force member's son was found convulsing on the bathroom floor by his stepfather. The stepfather began cardio-pulmonary resuscitation but the child was later pronounced dead. An autopsy revealed cause of death was blunt force injuries of the abdomen (lacerated liver) and the manner of death was homicide. After the Japanese authorities released the stepfather, a U.S. civilian, with no charges filed against him, the stepfather departed Okinawa for the United States. Armed Forces Center for Child Protection's formal report of the stepson's prior injuries indicated a pattern of ongoing physical abuse and cause of death being consistent with physical injuries at time of death. The staff judge advocate at Kadena Air Base, Japan, pursued Military Extraterritorial Jurisdiction Act action against the stepfather. After declining a plea agreement, the stepfather was indicted in Baltimore by a grand jury and arrested that day. The U.S. District Court of Baltimore found the stepfather guilty of murder and assault of his stepson and sentenced him to 30 years in prison.

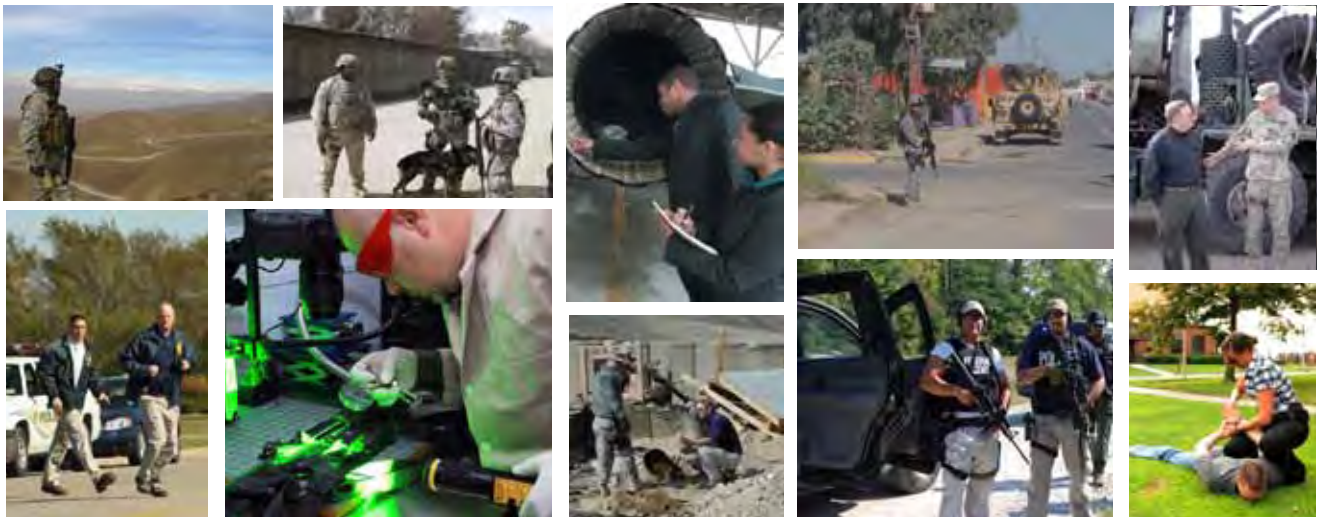
ESCAPE FROM POST-TRIAL CONFINEMENT

While serving 30-months confinement in the United Kingdom for possessing child pornography, an airman escaped military custody during a medical appointment at the 48th Medical Group and left the facility. Command officials declared the airman absent without leave and a deserter. After being shown on the British Broadcasting Channel program "Crimewatch," two calls came in with claims of having seen the airman at a soup kitchen in Ipswich. AFOSI agents went to Ipswich and apprehended the airman. The airman admitted to tricking his escort, breaking contact, escaping the base, and using marijuana while on the run. The airman received two years imprisonment and a dishonorable discharge for desertion.



DEFENSE OVERSIGHT COMMUNITY

Providing Oversight for the Department...



and Making a Difference!

CONGRESSIONAL
TESTIMONIES, BRIEFINGS,
& REQUESTS



WORKING WITH CONGRESS

Section 4(a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings.

On December 18, 2009, Ambassador Kenneth Moorefield, Deputy Inspector General for Special Plans and Operations, testified before the Commission on Wartime Contracting on “Risks and Challenges Associated with Afghan National Security Forces Training Contracts.” In his testimony, Ambassador Moorefield described the challenges identified by DoD IG in audits, assessments, and investigations associated with contracting and contract oversight in support of U.S. efforts to train and mentor the Afghan National Security Forces. Ambassador Moorefield testified that the use of contractors has played a key role in U.S. policies in Afghanistan, as they have in Iraq. While noting that contractors provided indispensable assistance, Ambassador Moorefield also testified that maintaining effective contracting oversight was uniquely difficult in Afghanistan.

Ambassador Moorefield also testified about problems associated with the “Afghan First” program, which encourages contracting with Afghan companies and Afghan personnel to construct needed roads and facilities to support the development and expansion of the ANSF. In his statement to the CWC, he wrote that there were few Afghan companies with the requisite experience to effectively undertake and complete projects at the required standards, leading to some instances in which Afghan companies were unable to meet contractual timing and quality requirements. Ambassador Moorefield also addressed how staffing deficiencies in the contract oversight community have resulted in a failure to ensure that contractors selected by the Combined Security Transition Command-Afghanistan had the capabilities

to meet the performance standards required. Finally, Ambassador Moorefield noted that the collective results of work conducted throughout Southwest Asia have led DoD IG to conclude that a relatively small number of inexperienced civilian or military contract administrators and support personnel were assigned far-reaching responsibilities for an unreasonably large number of contracts.

During the reporting period, the Inspector General and representatives of the Office of Inspector General had more than 40 meetings with members of Congress and their staff. Topics of discussion during those meetings include issues such as the Guam Realignment, whistleblower reprisal issues, information operations, and soldiers’ exposure to sodium dichromate.

Office of Communications and Congressional Liaison supports DoD IG by serving as the contact for communications to and from Congress, and by serving as DoD IG public affairs office. From October 1, 2009 through March 31, 2010, OCCL received 183 new congressional inquiries and closed 94 cases. New inquiries involved issues such as the American Recovery and Reinvestment Act funding; the Battle of Wanat, Afghanistan; the Wounded Warrior Program; and requests related to reviews of senior DoD officials.

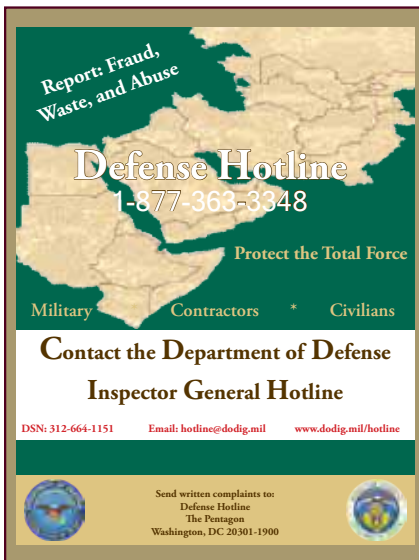


Ambassador Kenneth Moorefield testifies before the Commission on Wartime Contracting.

DEFENSE HOTLINE



DEFENSE HOTLINE



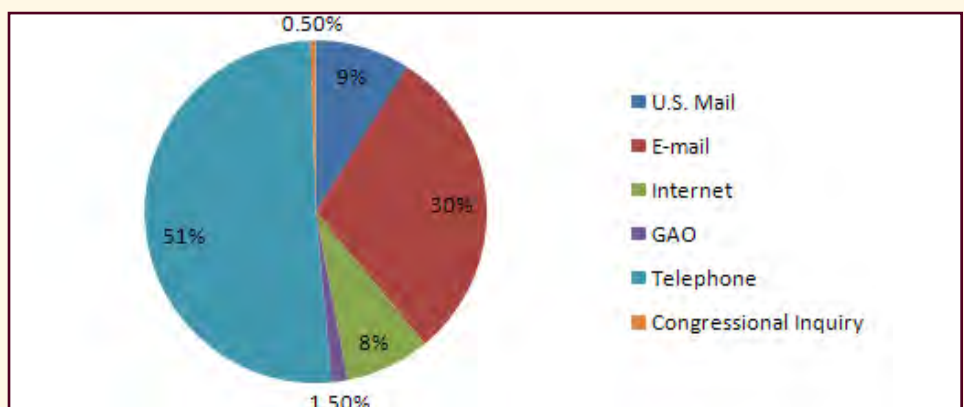
The Defense Hotline continues its primary mission of providing a confidential and reliable vehicle for military service members, DoD civilians, contractor employees, and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security, and leaks of classified information. The Defense Hotline is diligent about protecting the identity of whistleblowers who wish to remain confidential. Whistleblowers are critical sources of information to Inspectors General, and it is imperative that DoD IG protect their identities to the greatest extent possible.

During the reporting period, DoD IG conducted a comprehensive review of the Defense Hotline that resulted in revised and improved operating procedures. The efforts in this regard have strengthened policies and procedures to protect DoD IG sources of information. A revised warning statement now accompanies all Defense Hotline documents to emphasize that access to Defense Hotline records is limited to individuals with the need-to-know for the purpose of providing a response by DoD IG. This helps to ensure that information that may include the identity of a source is properly protected. DoD IG also implemented additional procedures to clearly identify DoD IG sources who grant consent to release their identifying data and those who do not. The Defense Hotline must be viewed as a trusted, viable means of reporting improprieties affecting the DoD as whistleblower protection is the foundation of the fraud, waste, and abuse reporting program.

The Defense Hotline is operational Monday through Friday from 8:00 a.m. to 5:00 p.m., and is staffed by 16 full-time employees who examine and evaluate allegations pertaining to DoD programs and operations. Complaints also may be submitted to the Defense Hotline 24 hours a day through the Internet and e-mail.

The Defense Hotline received 7,965 contacts from the general public and members of the DoD community: 9 percent via U.S. mail, 30 percent via e-mail, 8 percent via the Internet, 1.5 percent via GAO, 51 percent via the telephone, and .5 percent from congressional inquiries. Based on these contacts, the Defense Hotline initiated 1,141 cases.

The Defense Hotline closed 1,026 cases this reporting period. Investigations initiated exclusively by the Defense Hotline resulted in \$47 million returned to the federal government for this reporting period.



APPENDICES



Appendices

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| A. Audit, Inspection, and Evaluation Reports Issued..... | 74 |
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| E. Status of Action on Significant Post-Award Contract Audits..... | 87 |
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| G. Significant Open Recommendations..... | 125 |
| H. Acronyms..... | 127 |

APPENDIX A

AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

Copies of reports may be obtained from the appropriate issuing office by contacting:

DoD IG
(703) 604-8937
<http://www.dodig.mil/PUBS>

Army Audit Agency
(703) 693-5679
<http://www.hqda.army.mil/aaaweb>

Naval Audit Service
(202) 433-5525
<http://www.hq.navy.mil/naualaudit>

Air Force Audit Agency
(703) 696-7904
<http://www.afaa.hq.af.mil>

REPORTS ISSUED BY MANAGEMENT CHALLENGE AREA

October 1, 2009 – March 31, 2010

| | DoD IG | Military Depts. | Total |
|---|--------|-----------------|-------|
| Joint Warfighting and Readiness | 5 | 56 | 61 |
| Information Assurance, Security, and Privacy | 3 | 10 | 13 |
| Acquisition Processes and Contract Management | 16 | 24 | 40 |
| Financial Management | 25 | 32 | 57 |
| Health Care | 0 | 7 | 7 |
| American Recovery and Reinvestment Act | 4 | 5 | 9 |
| Nuclear Enterprise | 0 | 1 | 1 |
| Other | 8 | 9 | 17 |
| | | | |
| Total | 61 | 144 | 205 |

JOINT WARFIGHTING
AND READINESS

DOD IG

D-2010-025 Transportation
for DoD Personnel and Cargo
Relocation From the Iraq Drawdown
(12/11/2009)

D-2010-027 Army's Management of
the Operations and Support Phase
of the Acquisition Process for Body
Armor (12/8/2009)

D-2010-032 DoD Countermine and
Improvised Explosive Device Defeat
Systems Contracts - Husky Mounted
Detection System (12/31/2009)

D-2010-035 Defense Logistics
Agency Contracts for M2 Machine
Gun Spare Parts in Support of
Operations in Southwest Asia
(1/11/2010)

10-INTEL-01 Inspection of
an Under Secretary of Defense
for Intelligence Program No. 2
(1/15/2010)

ARMY AUDIT AGENCY

A-2010-0002-ALO Bridges on Army
Installations, Fort Knox, Kentucky
(10/14/2009)

A-2010-0003-ALR Dormant Stock,
Office of the Project Manager, Heavy
Brigade Combat Team (11/5/2009)

A-2010-0004-ALM Weapons
Systems Sustainment Planning
(11/16/2009)

A-2010-0006-FFM Basic Allowance
for Housing for Reserve Component
Soldiers, Examination of Army
Estimate for Additional Funding
and Back Pay Amounts - FY08
Contingency (10/22/2009)

A-2010-0008-ALR Property
Accountability, Mark-19
40-Millimeter Grenade Machine
Gun (11/5/2009)

A-2010-0010-ALL Housing
Management, Area Support Group
- Kuwait, Camp Arifjan, Kuwait
(1/15/2010)

A-2010-0011-FFM Basic Allowance
for Housing for Reserve Component
Soldiers, Examination of Army
Estimate for Additional Funding and
Back Pay Amounts - FY 08 Special
Works Activations (11/9/2009)

A-2010-0013-ALM Automatic Reset
Induction Retrograde and Depot
Operations (FOR OFFICIAL USE
ONLY) (11/16/2009)

A-2010-0014-ALA Armed Aerial
Reconnaissance Requirement
(FOR OFFICIAL USE ONLY)
(11/9/2009)

A-2010-0016-FFF Recruiting
Waiver Program - Active Army and
Army Reserve, Office of the Deputy
Chief of Staff, G-1 (11/9/2009)

A-2010-0019-ALM Time-Sensitive
Issue - Nonstandard Equipment
Sustainment of Terminated Items
(12/8/2009)

A-2010-0021-ALL Retrograde
Operations in Southwest Asia
- Kuwait, Class IX Aviation
Warehouse, Camp Arifjan, Kuwait
(12/8/2009)

A-2010-0022-ALL Retrograde
Operations Southwest Asia, Multi-
Class Retrograde, Camp Arifjan,
Kuwait (12/7/2009)

A-2010-0024-ALI Excess, Vacant,
and Not Utilized Facilities and Land
(1/5/2010)

A-2010-0025-FFM Basic Allowance
for Housing for Reserve Component
Soldiers, Examination of Army
Estimate for Additional Funding
and Back Pay Amounts - FY 07
Activations (12/7/2009)

A-2010-0027-ALO Bridges on Army
Installations, Fort Drum, New York
(12/11/2009)

A-2010-0029-ALM Followup
Report on the National Maintenance
Program Certification Process,
U.S. Army Materiel Command
(12/15/2009)

A-2010-0034-ALO Bridges on Army
Installations, Fort Carson, Colorado
(12/17/2009)

A-2010-0036-FFM Basic Allowance
for Housing for Reserve Component
Soldiers, Examination of Army
Estimate for Additional Funding
and Back Pay Amounts--FY 06
Activations (12/21/2009)

A-2010-0037-FFD Audit of
Antiterrorism Training (FOR
OFFICIAL USE ONLY) (1/4/2010)

A-2010-0038-ALI Followup Audit of Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Fort Sill, Oklahoma (1/7/2010)

A-2010-0040-ALM Time Sensitive Issue--Javelin Command Launch Unit (CLU), Operational Readiness Float (1/14/2010)

A-2010-0041-ALR Followup Audit of Property Accountability in the Army National Guard, Oregon Army National Guard (1/29/2010)

A-2010-0043-FFD Audit of Defense Coordinating Officer Training and Oversight (2/2/2010)

A-2010-0044-ALL Forward Operating Base Closures, Multi-National Force - Iraq (FOR OFFICIAL USE ONLY) (1/26/2010)

A-2010-0045-FFF Followup Report of Management of Initial Entry Training Soldiers (1/20/2010)

A-2010-0047-FFP Organizational Clothing and Individual Equipment, Eighth U.S. Army (Field Army) and Installation Management Command-Korea (1/22/2010)

A-2010-0048-FFF Improvised Explosive Device Defeat Unit Training (FOR OFFICIAL USE ONLY) (2/8/2010)

A-2010-0049-ALA Use of Training Aids, Devices, Simulators, and Simulations by the Reserve Component, Fort Eustis, Virginia (2/2/2010)

A-2010-0050-ALE Staffing Requirements for Army Continuing Education System in Europe, U.S. Army Installation Management Command, Europe Region (2/18/2010)

A-2010-0051-ALR Army National Guard Property Accountability Summary Report for Fiscal Year 2007 and 2008 Audits (3/3/2010)

A-2010-0052-FFD Physical Security of Privatized Base Operations Infrastructure, Offices of the Provost Marshall General and the Assistant Chief of Staff for Installation Management (FOR OFFICIAL USE ONLY) (2/25/2010)

A-2010-0053-ALE Maintenance Float Program in Europe, U.S. Army, Europe and Seventh Army (2/17/2010)

A-2010-0060-ALA Pricing and Funding Security Assistance to Iraq and Afghanistan, U.S. Army Security Assistance Command (3/3/2010)

A-2010-0064-FFS The Army's CONUS Support Base Services Contract (FOR OFFICIAL USE ONLY) (3/11/2010)

A-2010-0066-ALR Property Accountability, III Corps (3/31/2010)

A-2010-0067-ALO Bridges on Army Installations (3/24/2010)

A-2010-0068-ALO Followup Audit of Garrison Utilities and Energy Services (3/19/2010)

A-2010-0069-ALE Antiterrorism Training in Europe (FOR OFFICIAL USE ONLY) (3/19/2010)

NAVAL AUDIT SERVICE

N2010-0002 Navy Enlisted Training Quota Management Process (11/10/2009)

N2010-0007 Reserve Headquarters Support System Accuracy (1/15/2010)

N2010-0014 Recording of Navy Enlisted Classification Recommendations in the Navy Corporate Enterprise Training Activity Resource System (3/10/2010)

N2010-0019 Navy Plan to Meet Future SEAL End-Strength (3/25/2010)

AIR FORCE AUDIT AGENCY

F-2010-0001-FC2000 Logistics Composite Model (11/19/2009)

F-2010-0002-FC2000 T56 Propeller Requirements (1/11/2010)

F-2010-0001-FC4000 Follow-up Audit, Termination of Excess On-Order Parts (10/21/2009)

F-2010-0002-FC4000 Procurement Lead Times (1/12/2010)

F-2010-0003-FC4000 Follow-up Audit, Cargo Processing (2/3/2010)

F-2010-0004-FC4000 Global Air Transportation Execution System Effectiveness (3/9/2010)

F-2010-0001-FD1000 United States Air Forces Central Deployed Locations Area of Responsibility Hazardous Materials and Hazardous Waste (11/19/2009)

F-2010-0006-FD1000 Air Force Ground Safety Program (1/22/2010)

F-2010-0001-FD3000 Individual Body Armor (10/5/2009)

F-2010-0002-FD3000 Pacific Air Forces War Reserve Materiel (10/26/2009)

F-2010-0002-FD4000 Civilian Intern Programs (10/28/2009)

F-2010-0003-FD4000 Overseas Civilian Hiring Process (2/3/2010)

F-2010-0004-FD4000 Food Service Operations (3/8/2010)

INFORMATION ASSURANCE SECURITY & PRIVACY

DOD IG

D-2010-005 Information Security at the Fleet and Industrial Supply Center, Sigonella, Detachment Bahrain (11/3/2009)

D-2010-038 Identification of Classified Information in an Unclassified DoD System and an Unsecured DoD Facility (1/26/2010)

D-2010-044 Information Assurance Controls Over the Outside the Continental United States Navy Enterprise Network as Related to the Operations in Southwest Asia (3/2/2010)

ARMY AUDIT AGENCY

A-2010-0039-ZBI Management of Classified Communications Security Materials, 902d Military Intelligence Group, Fort Meade, Maryland (FOR OFFICIAL USE ONLY) (2/1/2010)

A-2010-0046-FFI Army Networthiness Certification Program, Chief Information Officer/G-6 (2/2/2010)

NAVAL AUDIT SERVICE

N2010-0005 Information Security for Research, Development, Test and Evaluation and Education Legacy Networks (1/7/2010)

N2010-0011 Accessibility of Personally Identifiable Information through the Navy/Marine Corps Intranet Homeport Web Site (3/2/2010)

N2010-0017 Followup on Internal Controls for Marine Corps Small Arms Shipments (3/17/2010)

N2010-0021 Department of the Navy Security Manning Requirements at Navy Installations (3/29/2010)

AIR FORCE AUDIT AGENCY

F-2010-0001-FB2000 Quarterly Enterprise Buy Implementation (10/5/2009)

F-2010-0001-FB4000 Follow-up Audit, Accountability and Control of Secure Terminal Equipment (11/18/2009)

F-2010-0002-FB4000 United States Air Forces Central Deployed Locations Cellular Device Management (11/27/2009)

F-2010-0003-FB4000 Contractor Circuit Security (1/13/2010)

ACQUISITION PROCESSES/CONTRACT MANAGEMENT

DOD IG

D-2010-003 Defense Finance and Accounting Service Contract for Military Retired and Annuitant Pay Functions (10/22/2009)

D-2010-004 Cost Increases Related to the Producer Price Index for Titanium Mill Shapes on DoD Multiyear Contracts (10/29/2009)

D-2010-021 Using System Threat Assessments in the Acquisition of Tactical Wheeled Vehicles (11/23/2009)

D-2010-022 Management of Nontactical Vehicles in Support of Operation Iraqi Freedom (11/20/2009)

D-2010-024 Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems (11/24/2009)

D-2010-028 Rapid Acquisition and Fielding of Materiel Solutions by the Navy (12/15/2009)

D-2010-029 DoD Contractor Qualifications and Selection Criteria for Body Armor Contracts (12/21/2009)

D-2010-033 Information Operations in Iraq (1/21/2010) (CLASSIFIED)

D-2010-039 Recapitalization and Acquisition of Light Tactical Wheeled Vehicles (1/29/2010) (CLASSIFIED)

D-2010-041 Acquisition Decision Memorandum for the Defense Integrated Military Human Resources System (2/5/2010)

D-2010-042 DoD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police (2/9/2010)

D-2010-046 Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad, Iraq (3/3/2010)

D-2010-047 Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait (3/26/2010)

Joint CIA DoD IG Audit of a Special Access Program Acquisition (CLASSIFIED)

10-INTEL-02 Audit of the National Assessment Group (3/4/2010) (CLASSIFIED)

10-INTEL-03 Investigation of Hotline Allegations Involving the DoD Joint Intelligence Operation Center (3/19/2010) (CLASSIFIED)

ARMY AUDIT AGENCY

A-2010-0001-ALC Contract Closeout Controls, U.S. Army Corps of Engineers, Huntington District (11/10/2009)

A-2010-0005-ALC Contract Closeout Controls, U.S. Army Corps of Engineers (11/10/2009)

A-2010-0012-ALL Audit of Controls Over Vendor Payments - Southwest Asia (Phase II) (1/5/2010)

A-2010-0018-ALL Audit of Management and Visibility of Government Property Provided to the Contractor Performing Bulk Fuel Operations in Kuwait (12/17/2009)

A-2010-0026-ALC Award Fee for Task Order 139 - Logistics Civil Augmentation Program (LOGCAP) III Contract, U.S. Army Contracting Command (1/7/2010)

A-2010-0030-ALL Audit of Contracting Operations, Joint Contracting Command - Iraq/Afghanistan, Baghdad Regional Contracting Center and Theater-Wide Requirements Division, International Zone, Baghdad, Iraq (12/14/2009)

A-2010-0031-ALL Audit of Contracting Operations, Joint Contracting Command - Iraq/Afghanistan, Regional Contracting Center - Victory, Camp Victory, Iraq (2/16/2010)

A-2010-0032-ALR Logistics Domain Governance Process (1/7/2010)

A-2010-0042-FFI Cellular Telephone Management, U.S. Army Forces Command (1/14/2010)

A-2010-0054-ALL Agreed-Upon Procedures Attestation to Determine the Total Amount of Requisitions Under DODAACW91JKW Processed by Soldiers From the 18th Fires Brigade, Fort Bragg, North Carolina While Deployed to Iraq (FOR OFFICIAL USE ONLY) (2/24/2010)

A-2010-0057-ALL Audit of Controls Over Vendor Payments - Southwest Asia (Phase II) (2/24/2010)

A-2010-0061-FFM Followup Audit of Army Contract Pricing Process for Commercial Travel Office Fees (FOR OFFICIAL USE ONLY) (3/4/2010)

A-2010-0062-ALL Audit of Controls Over Vendor Payments - Southwest Asia (Phase II) (3/16/2010)

A-2010-0074-ALA Army's Development of Capabilities Documents, U.S. Army Training and Doctrine Command, Fort Monroe, Virginia (3/22/2010)

A-2010-0075-ALL Audit of Defense Base Act Insurance, Audit of Contracting Operations, U.S. Army Contracting Command Southwest Asia - Kuwait (FOR OFFICIAL USE ONLY) (3/23/2010)

A-2010-0077-ALC Agreed-Upon Procedure Attestation of the Joint Contracting Command - Iraq/ Afghanistan Contract Closeout Task Force (FOR OFFICIAL USE ONLY) (3/25/2010)

A-2010-0078-ALE Contracting Support Processes for Task Force - East, U.S. Army, Europe and Seventh Army (3/29/2010)

A-2010-0081-ZBI Contract Closeout, Office of the Chief Information Officer/G-6 (FOR OFFICIAL USE ONLY) (3/30/2010)

NAVAL AUDIT SERVICE

N2010-0001 E/2D Advanced Hawkeye Radar (10/14/2009)

N2010-0008 Selected Contracts and Contract Activities at Fleet and Industrial Supply Center Sigonella, Italy (2/5/2010)

N2010-0009 Pricing for Commercial Acquisitions (2/12/2010)

AIR FORCE I AUDIT AGENCY I

F-2010-0001-FB1000 Selected Financial Aspects of the Senior Leaders Intransit Conference Capsule and Senior Leaders Intransit Pallet Program (11/27/2009)

F-2010-0001-FC1000 Government-Furnished Equipment and Material on Service Contracts (3/3/2010)

F-2010-0001-FC3000 Air Force Research Laboratory Government Property (11/16/2009)

FINANCIAL MANAGEMENT

DOD IG I

D-2010-001 Whistleblower Disclosure Regarding the DoD Defense Technical Information Center (10/9/2-09)

D-2010-002 Summary of DoD Office of Inspector General Audits of Financial Management (10/19/2009)

D-2010-006 Independent Auditor's Report on the Air Force General Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-007 Endorsement of the Unqualified Opinion on the FY 2009 DoD Military Retirement Fund Financial Statements (11/9/2009)

D-2010-008 Independent Auditor's Report on the Air Force Working Capital Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-009 Independent Auditor's Report on the Army Working Capital Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-010 Independent Auditor's Report on the Army General Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-011 Independent Auditor's Report on the Navy Working Capital Fund-Marine Corps FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-012 Independent Auditor's Report on the United States Marine Corps General Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-013 Independent Auditor's Report on the Department of the Navy Working Capital Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-014 Independent Auditor's Report on the Department of the Navy General Fund FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-016 Independent Auditor's Report on the Department of Defense FY 2009 and FY 2008 Basic Financial Statements (11/12/2009)

D-2010-017 Independent Auditor's Report on the Department of Defense Special-Purpose Financial Statements for Fiscal Years Ending September 30, 2009 and 2008 (11/16/2009)

D-2010-018 Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2009 and FY 2008 Basic Financial Statements (11/24/2009)

D-2010-019 Independent Auditor's Report on the Medicare-Eligible Retiree Health Care Fund, FY 2009 and FY 2008 Basic Financial Statements (11/8/2009)

D-2010-020 Independent Auditor's Report on the Contract Resource Management FY 2009 Basic Financial Statements (11/10/2009)

D-2010-023 Review of Defense Technical Information Center Internal Controls (12/3/2009)

D-2010-026 Joint Civilian Orientation Conference Program (12/9/2009)

D-2010-030 Utility Tax Relief Program in the Netherlands (1/6/2010)

D-2010-034 Internal Controls Over Army General Fund Cash and Other Monetary Assets Held in Southwest Asia (1/8/2010)

D-2010-036 Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers (1/22/2010)

D-2010-037 Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System (1/25/2010)

D-2010-040 Independent Auditor's Report on the DoD FY 2009 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities (2/1/2010)

D-2010-043 Deferred Maintenance and Carryover on the Army Abrams Tank (3/2/2010)

D-2010-048 DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies (3/25/2010)

ARMY AUDIT AGENCY

A-2010-0007-FFM Independent Auditor's Report for FY 09 American Red Cross Financial Statements (10/30/2009)

A-2010-0028-FFM Budgeting for the Military Personnel, Army Appropriation (1/6/2010)

A-2010-0056-FFM Management Control Review of Mobile Payments Pilot Concept of Operations (FOR OFFICIAL USE ONLY) (2/25/2010)

A-2010-0063-FFP Agreed-Upon Procedures Attestation of Army Emergency Relief, U.S. Army Garrison Humphreys (FOR OFFICIAL USE ONLY) (3/12/2010)

A-2010-0065-FFM Agreed-Upon Procedures Attestation of Statement of Budgetary Resources--Summary of Completed and Open Audits (3/16/2010)

A-2010-0070-FFH Child Development and Youth Center Space Requirements, Office of the Assistant Chief of Staff for Installation Management (3/16/2010)

NAVAL AUDIT SERVICE

N2010-0010 Bureau of Medicine and Surgery's Internal Controls for Personnel Pay (2/24/2010)

N2010-0012 Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Naval Facilities Engineering Command Working Capital Fund (3/2/2010)

N2010-0015 Invoice Management at Fleet Readiness Centers (3/10/2010)

AIR FORCE AUDIT AGENCY

F-2010-0002-FB1000 Air Force Office of Special Investigations Confidential Investigative Contingency Funds (12/16/2009)

F-2010-0003-FB1000 Follow-up Audit, Headquarters Air Force Resource Management - Miscellaneous Obligation/ Reimbursement Documents (1/12/2010)

F-2010-0004-FB1000 Reserve Component Overseas Contingency Operations Travel Payments (1/12/2010)

F-2010-0005-FB1000 Official Representation Funds (1/19/2010)

F-2010-0006-FB1000 Operations and Maintenance Funds Programming (2/24/2010)

F-2010-0007-FB1000 Cargo Shipment Billings (3/3/2010)

F-2010-0002-FB2000 Depot Maintenance Accounting and Production System-Automated Bill of Materials and Naval Air Industrial Material Management System Controls (10/5/2009)

F-2010-0003-FB2000 Depot Maintenance Accounting and Production System - Integration Engine System Controls (10/13/2009)

F-2010-0004-FB2000 Depot Maintenance Accounting and Production System - Time and Attendance System Controls (10/19/2009)

F-2010-0005-FB2000 Financial Management Enterprise Architecture Implementation (2/24/2010)

F-2010-0001-FB3000 Real Property - Construction in Progress (10/21/2009)

F-2010-0002-FB3000 Real Property Internal Controls (11/16/2009)

F-2010-0003-FB3000 Working Capital Fund Internal Use Software (11/19/2009)

F-2010-0004-FB3000 Overall Health of Environmental Liabilities (11/27/2009)

F-2010-0005-FB3000 Government-Furnished Equipment Financial Statement Reporting (1/11/2010)

F-2010-0003-FC2000 Foreign Military Sales Dedicated Training Program (FOR OFFICIAL USE ONLY) (2/3/2010)

F-2010-0002-FD1000 Interim Report of Audit, MacDill AFB, FL Wastewater Utilities Privatization Economic Analysis (11/23/2009)

F-2010-0003-FD1000 Interim Report of Audit, MacDill AFB, FL Water Utilities Privatization Economic Analysis (11/23/2009)

F-2010-0004-FD1000 Energy Metering Program (1/19/2010)

F-2010-0005-FD1000 Facility Energy Reporting (1/22/2010)

F-2010-0010-FD1000 Air Force Sustainable Construction Program (3/8/2010)

F-2010-0001-FD2000 Overseas Contingency Operations Funds for Medical Support (1/11/2010)

F-2010-0001-FD4000 United States Air Forces Central Area of Responsibility Services Financial Activities (10/7/2009)

HEALTH CARE

ARMY AUDIT AGENCY

A-2010-0020-FFH Followup Audit of Contracts for Medical Goods and Services, North Atlantic Regional Medical Command (2/23/2010)

A-2010-0023-FFH Small Business Contracts, U.S. Army Medical Command, Health Care Acquisition Activity (12/3/2009)

A-2010-0035-ALE Staffing Requirements for the Army Substance Abuse Program in Europe, U.S. Army Installation Management Command, Europe Region (FOR OFFICIAL USE ONLY) (12/17/2009)

A-2010-0083-FFH Pharmaceutical Operations, U.S. Army Medical Command (3/30/2010)

AIR FORCE AUDIT AGENCY

F-2010-0002-FD2000 Public Access Defibrillators (1/11/2010)

F-2010-0003-FD2000 Air Force Blood Program (2/24/2010)

F-2010-0004-FD2000 Mental
Health Provider Productivity
(3/9/2010)

AMERICAN RECOVERY AND REINVESTMENT ACT

DOD IG

D-2010-RAM-001 U.S. Army
Corps of Engineers Data Quality
Review Processes for Civil Works
Programs (10/30/2009)

D-2010-RAM-002 DoD's American
Recovery and Reinvestment Act of
2009 Initial Data Quality Review
Implementation (11/3/2009)

D-2010-RAM-003 Repair Aircraft
Parking Apron at Naval Station
Norfolk (3/10/2010)

D-2010-RAM-004 Repair Air Traffic
Control Building 118, Naval Air
Station Jacksonville, FL (3/10/2010)

ARMY AUDIT AGENCY

A-2010-0072-ALO American
Recovery and Reinvestment Act
of 2009, Fort Benning, Georgia
(3/18/2010)

A-2010-0080-ALO American
Recovery and Reinvestment Act
of 2009, South Carolina National
Guard (3/31/2010)

AIR FORCE AUDIT AGENCY

F-2010-0007-FD1000 American
Recovery and Reinvestment Act of
2009 Program Execution - Facilities
Sustainment, Restoration, and
Modernization (2/24/2010)

F-2010-0008-FD1000 American
Recovery and Reinvestment Act
of 2009 Military Construction
(3/4/2010)

F-2010-0009-FD1000 American
Recovery and Reinvestment Act of
2009 Air National Guard Military
Construction (3/4/2010)

NUCLEAR ENTERPRISE

AIR FORCE AUDIT AGENCY

F-2010-0003-FD3000 Nuclear Data
Validation (2/25/2010)

OTHER

DOD IG

D-2010-015 DoD Civil
Support During the 2007 and
2008 California Wildland Fires
(11/13/2009)

D-2010-031 The Management
and Accountability of Property
Purchased at Regional Contracting
Centers in Afghanistan (1/6/2010)

D-2010-045 2003 Real Estate
Transactions of the Armed Forces
Retirement Home - Gulfport
(2/22/2010)

D-2010-6-001 Report on Review
of Army Decision Not to Withhold
Funds on the Logistics Civil
Augmentation Program III Contract
(2/16/2010)

SPO-2010-001 Assessment of U.S.
and Coalition Efforts to Develop the
Medical Sustainment Capability of
the Afghan National Security Forces
(3/31/2010)

IE-2010-001 Evaluation of DoD
Contracts Regarding Combating
Trafficking in Persons (1/15/2010)

IE-2010-002 Inspection of the
Armed Forces Retirement Home
(2/25/2010)

IPO-2010-E001 Evaluation of
DoD Sexual Assault Response in
Operations Enduring and Iraqi
Freedom Areas of Operation
(2/2/2010)

ARMY AUDIT AGENCY

A-2010-0033-FFE Accident
Investigations and Reporting
(12/22/2009)

A-2010-0059-ALO DoD Support
to the 2009 Presidential Inaugural
(3/1/2010)

NAVAL AUDIT SERVICE

N2010-0003 Morale, Welfare, and Recreation Department, Naval Station Mayport, FL (12/29/2009)

N2010-0004 Internal Controls for Overtime Procedures at Navy Region Southwest (12/30/2009)

N2010-0006 Auditor General Advisory – Acquisition Integrity Office Administrative Agreements (1/12/2010)

N2010-0013 Selected Department of the Navy Military Construction Projects Proposed for Fiscal Year 2011 (3/9/2010)

N2010-0016 Reporting of Safety Mishaps (3/12/2010)

N2010-0018 Followup to Audit Recommendations for Selected Internal Controls, Contracting, and Investigative Support Audits (3/23/2010)

N2010-0020 Development and Utilization of Alternative Fuel Vehicle Program Infrastructure at Selected Department of Navy Installations (3/26/2010)

APPENDIX B

DOD IG REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS¹

| Reports Issued | Potential Monetary Benefits | |
|---|-------------------------------|-------------------------|
| | Disallowed Costs ² | Funds Put to Better Use |
| D-2010-003 Defense Finance and Accounting Service Contract for Military Retired and Annuitant Pay Functions (10/22/09) | N/A | \$715,257 |
| D-2010-023 Review of Defense Technical Information Center Internal Control (12/3/09) | N/A | \$21,800,000 |
| D-2010-037 Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System (1/25/10) | N/A | \$2,500,000 |
| D-2010-039 Recapitalization and Acquisition of Light Tactical Wheeled Vehicles (1/29/10) | N/A | \$3,840,000,000 |
| D-2010-042 DoD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police (2/9/10) | N/A | \$80,000,000 |
| D-2010-043 Deferred Maintenance and Carryover on the Army Abrams Tank (3/3/10) | N/A | \$275,000,000 |
| D-2010-RAM-003 Repair Aircraft Parking Apron at Naval Station Norfolk (3/10/10) | N/A | \$24,900,000 |
| Totals | | \$4,244,915,257 |

1. Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(a)(6) (see Appendix A).
2. There were no DoD IG reports during the period involving disallowed costs.

APPENDIX C

| DECISION STATUS OF DOD IG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE* | | |
|---|-----------------|---|
| Status | Number | Funds Put To Better Use ¹ (\$ in thousands) |
| A. No management decision had been made by the beginning of the reporting period. | 39 | \$19,741 |
| B. Issued during the reporting period. | 55 | \$4,244,915 |
| Subtotals (A+B) | 94 | \$4,264,656 |
| C. A management decision was made during the reporting period. | 67 | \$49,526 |
| (i) dollar value of recommendations that were agreed to by management. | | |
| - based on proposed management action | | |
| - based on proposed legislative action | | |
| (ii) dollar value of recommendations that were not agreed to by management. | | \$49,526 ² |
| D. No management decision has been made by the end of the reporting period. | 27 | \$4,215,130 |
| No management decision was made within six months of issue (as of March 31, 2010). | 16 ³ | \$19,415 |

1. DoD IG audit reports issued during the period involved no “questioned costs.”
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
3. DoD IG Report Nos. D-2006-112, “Selected Controls over the Military Personnel, Army Appropriation”; D-2007-003, “Internal Controls over the Army General Fund, Note 3, ‘Fund Balance With Treasury,’ Disclosures”; D-2007-6-010, “Reimbursement of Settlement Costs at DCMA Melbourne”; D-2009-032, “The America Supports You Program”; D-2009-036, “Acquisition of the Air Force Second Generation Wireless Local Area Network”; D-2009-063, “Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund”; D-2009-070, “Government Purchase Card Controls at U.S. Special Operations Command”; D-2009-087, “Controls Over Contract Obligation Data in the Logistics Modernization Program”; D-2009-104, “Sanitization and Disposal of Excess Information Technology Equipment”; D-2009-107, “DoD Enterprise Staffing Solution”; D-2009-109, “Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office”; D-2009-111, “Controls Over Information Contained in Blackberry Devices Used Within DoD”; D-2009-112, “Deferred Maintenance on the Air Force C-130 Aircraft”; D-2009-113, “Medical Equipment Used to Support Operations in Southwest Asia”; D-2009-INTEL-05, “Audit of the Management of Signals Intelligence Counterterrorism Enterprise Analysts”; and D-2009-INTEL-07, “Information Technology Portfolio for DoD Intelligence Databases”, had no decision as of March 31, 2010, but action to achieve a decision is in process.

* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(a)(8)(9) & (10).

| STATUS OF ACTION ON CENTRAL INTERNAL AUDITS Period ending March 31, 2010* | | |
|---|--------|---|
| Status | Number | Funds Put to Better Use ¹ (\$ in thousands) |
| DoD IG | | |
| Action in Progress - Beginning of Period | 238 | \$17,295 |
| Action Initiated - During Period | 67 | \$49,526 |
| Action Completed - During Period | 75 | \$194,770 |
| Action in Progress - End of Period | 230 | \$44,654 ² |
| Military Departments | | |
| Action in Progress - Beginning of Period | 632 | \$4,804,587 |
| Action Initiated - During Period | 144 | \$417,120 |
| Action Completed - During Period | 100 | \$68,342 |
| Action in Progress - End of Period | 676 | \$4,767,734 |
| <ol style="list-style-type: none"> 1. There were DoD IG audit reports opened for follow-up during the period involving “questioned costs” of \$53 thousand. 2. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,899 million, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing. | | |

* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(b)(2) and (3).

APPENDIX D

CONTRACT AUDIT REPORTS ISSUED¹
OCTOBER 1, 2009 THROUGH MARCH 31, 2010

| Type of Audit ² | Assignments Completed | Examined | Questioned Costs ³ | Funds Put to Better Use (\$ in millions) |
|---|-----------------------|-------------|-------------------------------|--|
| Incurring Costs, Ops Audits, Special Audits | 2,671 | \$13,973.7 | \$372.5 | \$87.5 ⁴ |
| Forward Pricing Proposals | 2,694 | \$119,025.3 | --- | \$9,484.4 ⁵ |
| Cost Accounting Standards | 452 | \$885.5 | \$28.5 | --- |
| Defective Pricing | 30 | (Note 6) | \$52.9 | --- |
| Totals | 5,847 | \$133,884.5 | \$453.9 | \$9,571.9 |

1. This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended March 31, 2010. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended March 31, 2010 was 8,293. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as: Incurring Costs – Audits of direct and indirect costs charged to government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims. Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts. Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation. Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).
3. Questioned costs represent costs that DCAA has questioned because the costs do not comply with rules, regulations, laws, and/or contractual terms.
4. Represents recommendations associated with operations audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.
5. Represents potential cost reductions that may be realized during contract negotiations.
6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

APPENDIX E

STATUS OF ACTION ON
SIGNIFICANT POST-AWARD CONTRACT AUDITS¹
PERIOD ENDING MARCH 31, 2010 (\$ IN MILLIONS)

| | Number of Reports | Costs Questioned | Disallowed Costs ⁶ |
|---|-------------------|------------------|-------------------------------|
| Open Reports: | | | |
| Within Guidelines ² | 382 | \$559.3 | N/A ⁷ |
| Overage, greater than six months ³ | 613 | \$1,207.7 | N/A |
| Overage, greater than 12 months ⁴ | 474 | \$1,056.0 | N/A |
| In Litigation ⁵ | 175 | \$2,133.0 | N/A |
| Total Open Reports | 1,644 | \$4,956.0 | N/A |
| Closed Reports | 384 | \$438.8 | \$212.3 (48.4%) ⁸ |
| All Reports | 2,028 | \$5,394.8 | \$212.3 (3.9%) |

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. Contract audit follow-up is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports." Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up," and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within six months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.
5. Of the 175 reports in litigation, 59 are under criminal investigation.
6. Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.
7. N/A (not applicable)
8. Contracting officers disallowed \$212.3 million (48.4 percent) of the \$438.8 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 48.4 percent represents an increase from the disallowance rate of 37.7 percent for the prior reporting period.



APPENDIX F

STATUS OF DoD IG REPORTS ISSUED MORE THAN 12 MONTHS AGO
WITH FINAL ACTION PENDING ^{1, 2}
(AS OF MARCH 31, 2010)

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|--|-------------------------|
| 96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/96 | Implement system changes to correct weaknesses in the automated prevalidation process. | Implementation has been delayed by higher management priorities. | DFAS |
| 98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/98 | Standardize Special Access Program eligibility implementing criteria and develop a centralized SAP database. | Newly identified legal issues delayed issuance of DoD publications. Publications are now expected to be issued by July 2010. Transition to an industry-developed database is scheduled for full implementation by March 2011. | USD(I) |
| 98-124, Department of Defense Adjudication Program, 4/27/98 | Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators. | Delays continue for the revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Extensive time required for coordination and approval of DoD adjudicator certification program. | USD(I) |
| 99-159, Interservice Availability of Multiservice Used Items, 5/14/99 | Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities. | Agreement among Non-consumable Item Program Interservice Team resulted in the recommendation that the Joint Service Regulation be converted to a DoD Manual (similar to the one for consumable items). | Army |

1. Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix, Section 5(b)(4).

2. For this reporting period, there are disallowed costs of \$102 million on reports over 12 months old with final action pending.

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2000-111, Security Clearance Investigative Priorities, 4/5/00 | Develop criteria and determine the highest priority mission-critical and high-risk positions based on their impact on mission-critical programs. Develop a process for relating specific clearance requests to mission-critical and high-risk positions. | Delays continue for the revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. | USD(I), DSS |
| D-2000-134, Tracking Security Clearance Requests, 5/30/00 | The current database will be modified to retain all pertinent historical information including dates/times for every occurrence (e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements). | The decision to implement a new system for case management and adjudications and perform modifications to an existing system have delayed implementation of the recommendation. System implementation is ongoing. | DSS |
| D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/01 | Develop, test, and deploy Patient Safety Reporting Program. | Selected system for use as the patient safety reporting program did not demonstrate to be effective, suitable or survivable for limited deployment. Replacement system is being sought. | ASD(HA) |
| D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/01 | Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office. Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators. | Delays continue for the revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Extensive time required for coordination and approval of DoD professional adjudication and certification program. | DSS, USD(I) |
| D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/01 | Develop cost-effective automated methods to expand prevalidation. | Correction of this material weakness involves a long-term effort. | USD(AT&L) |
| D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/01 | Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees. | Corrective actions were delayed in order to incorporate additional policies into DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. | USD(I) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/01 | Management will establish an action plan to meet revised requirements for reconciling suspense accounts. | Implementation has been delayed by higher management priorities. | DFAS |
| D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/01 | Develop system changes to differentiate among U.S. TRANSCOM, Air Mobility Command, and Defense Courier Service assets. Create electronic interfaces between the logistics and the accounting systems for transferring data. | Implementation has been delayed by higher management priorities. | TRANSCOM |
| D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/01 | Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of custom's forms using an electronic data exchange. | Competing management priorities. | USFK |
| D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/01 | MHS is in the early stages of developing DBSS replacement plans. It is anticipated the Commercial-Off-The-Shelf solution will correct the inventory counting and interface problems. | Military Health Service Blood management acquisition strategy has changed. | Air Force, ASD(HA) |
| D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/02 | Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System Budgetary and continue efforts to analyze and correct causes for current adjustments; Use transactional data to generate a general ledger data file for DDRS Budgetary. | Slow system development process. | DFAS |
| D-2002-117, Review of FY 2001 Financial Statements for the Defense Intelligence Agency (U), 6/25/02 | Report is classified. | Extensive time needed for system development. | DIA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|---|-------------------------|
| D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/02 | Develop a more detailed DoD instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction. | Delays were caused by broadening the scope of the draft instruction, extensive revisions and coordination issues. | USD(P&R) |
| D-2002-140, Measurement of Water Usage by DoD Components Serviced by the DC Water and Sewer Authority, 8/20/02 | Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters. | Lack of management responsiveness. | WHS |
| D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/03 | AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead. | Long-term corrective actions are on schedule. | USD(AT&L) |
| D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/03 | Report is classified. | Extensive time needed for system development. | NGA |
| D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/03 | Report is classified. | Long-term corrective actions are in process. | DIA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|--|-------------------------|
| D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/03 | The Director, Defense Procurement and Acquisition Policy, will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources. | Corrective actions are on schedule. Normal time required to update the FAR and DFARS. | USD(AT&L) |
| D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/03 | The Civilian Personnel Management Service is working on initiatives to achieve goals for system standardization of basic civilian personnel operations. | Extended time needed to develop system enhancements and address funding shortfalls. | USD(P&R) |
| D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/03 | Assign authority and responsibilities for the Recovered Chemical Warfare Materiel Program to Army. | Extended time required to determine if additional policy needed and to resolve funding issues with Army. | USD(AT&L) |
| D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/03 | Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, validate the canceled balances and report any potential Antideficiency Act violations. | Extensive time required for changes to financial policies. | USD(C), DFAS |
| 04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process, 12/12/03 | Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R. | Delays continue for the revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Other long-term corrective actions related to BRAC are ongoing. | USD(I) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2004-007, Force Protection in the Pacific Theater (U), 10/14/03 | Report is classified. | Lack of management attention. | Marine Corps |
| D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/03 | Update Army Regulations 70-1 and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B. | Coordination on issuance of the related guidance continues. | Army |
| D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/03 | Clarify requirements for internal assessments. | The Corps' guidance update was put on hold pending the revision of a higher level Army regulation. | Army |
| D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/04 | Program managers will be able to store acquisition documents in Virtual Insight so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures. | Delays in coordinating and issuing policy. | Army |
| D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/04 | Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded. | Extensive time required to coordinate and issue guidance. | WHS |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/04 | Ensure incorporation of appropriate export compliance clauses into solicitations and contracts. | Extensive time required to coordinate and issue policy guidance. | USD(AT&L) |
| D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/04 | Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses. | Publication of Air Force Instruction has been delayed to include pending revision of DoD guidance and then other related guidance. | Air Force |
| D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/04 | Report is classified. | Long-term corrective actions are in process. | DIA |
| D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/04 | Implement guidance to improve developing, recording, and reporting environmental liabilities. | Corrective actions involve a long-term effort. | USD(AT&L) |
| D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/04 | Report is classified. | Long-term corrective actions are in process. | NSA |
| D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/04 | Provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels. | Extensive time needed to revise guidance. | Army |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|---|-------------------------|
| D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/04 | Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts. | Lack of management emphasis; slow system development process. | USD(C), DFAS |
| D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/04 | DLA is identifying cost savings realized as a result of the DLA Customer Collaboration project. | Normal time needed to determine the full scope of realized monetary benefits. | DLA |
| D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/05 | The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor. | Closeout work continues. | DFAS |
| D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/05 | Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements. | Delays have been due to litigation, additional standard competitions, and guidance development. | USD(AT&L) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|---|----------------------------|
| D-2005-054, Audit of the DoD Information Technology Security Certification and Accreditation Process, 4/28/05 | Report is FOUO. | Coordination is ongoing to promulgate the policies. | ASD(NII) |
| D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/05 | Report is classified. | Corrective actions are being implemented. | NSA |
| D-2005-093, Information Technology Management: Technical Report on the Standard Finance System, 8/17/05 | Report is FOUO. | Corrective actions are on schedule. | DISA |
| D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/05 | Report is classified. | Corrective actions are being implemented. | DIA |
| D-2005-103, Development and Management of the Army Game Project, 8/24/05 | Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance. | Long-term corrective actions are ongoing. | Navy |
| D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/05 | Report is FOUO. | Extended time required for revision and coordination of guidance. | USD(I), ASD(HA), Air Force |
| D-2006-010, Contract Surveillance for Service Contracts, 10/28/05 | The Army will develop management controls to ensure contract surveillance is adequately performed and documented. | Normal time to develop and implement new guidance and procedures. | Army |
| D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/05 | Report is classified. | Inconsistent application of new repair procedures caused errors in calculating shortages in kits. Alternate plans are in process to address gaps. | Air Force |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/05 | DoD is revising its guidance to improve accounting of transition costs, tracking and reporting competition costs, validating and reviewing records, capturing contractors' past performance information, and tracking and monitoring the performance of Most Efficient Organizations. | Normal time to review, revise, and implement new guidance. | USD(AT&L) |
| D-2006-030, Report on Diagnostic Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/05 | Report is FOUO. | Long-term corrective actions are ongoing. | DISA |
| D-2006-039, Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004, 12/22/05 | The USD(C) will update the FMR and DFAS will rescind an old instruction, update and formalize other guidance, delete invalid accounts and update the General Accounting and Finance System-Rehost posting logic to improve internal controls over the compilation of the Air Force, General Fund, Fund Balance with Treasury. | Report had been in mediation and has been recently resolved. | USD(C), DFAS |
| D-2006-041, Operational Mobility: Gap-Crossing Resources for the Korean Theater (U), 12/26/05 | Report is classified. | Corrective actions were initially delayed due to changes in force structure in Korea and a new commander. Actions are now on schedule. Increase in Marine Corps Approved Acquisition Objective delays projected Full Operational Capability until FY 2012. | USFK, Marine Corps |
| D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 1/6/06 | Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required. | The final report on the ADA investigation is in legal review. | Army |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|---|-------------------------------|
| D-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/06 | Update the Ground Based Midcourse Defense Communications Network configuration to include: (1) Automated monitoring of the unencrypted and encrypted communications and monitoring systems; and (2) Individual user passwords to access the unencrypted communications system. | Extensive time needed for a schedule change made to the installation of equipment software and the transitioning of the authentication service to the Defense Information Systems Agency. | MDA |
| D-2006-054, DoD Process for Reporting Contingent Legal Liabilities, 2/24/06 | The USD(C) is developing a forum to address development of solutions for providing meaningful assessments of contingent legal liabilities and to develop and implement a uniform methodology for estimating, aggregating, and reporting them. The Services are working to ensure that "Other Liabilities" and contingent liabilities are fully supported and appropriately disclosed. | Corrective actions are generally on schedule. | USD(C), Army, Navy, Air Force |
| D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 3/6/06 | The Air Force will review and revise existing guidance. | Normal time to review existing guidance and develop and implement new guidance and procedures. | Air Force |
| D-2006-057, Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (U), 2/28/06 | Report is classified. | Corrective actions are on schedule. | NGA |
| D-2006-061, Source Selection Procedures for the Navy Construction Capabilities Contract, 3/3/06 | The DoD will develop new guidance. | Corrective actions are on schedule. | USD(AT&L) |
| D-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/06 | Improve internal controls over compiling and reporting cost-to-complete estimates for environmental liabilities. | Corrective actions for this material weakness involve a long-term effort. | Air Force |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|---|--|
| D-2006-072, Internal Controls Related to Department of Defense Real Property, 4/6/06 | The Department is working to improve internal controls at the installation level for real property offices. The Air Force is working to: identify which fiscal year they can prove existence, completeness, and valuation, and use that fiscal year as their baseline for real property; and maintain an audit trail that supports the real property values reported on the financial statements. | Corrective actions and efforts to verify corrective actions are ongoing. | Army, Navy, Air Force, USD(AT&L), USD(C) |
| D-2006-073, Human Capital: Report on the DoD Acquisition Workforce Count, 4/17/06 | Develop and implement written standard operating procedures and guidance for counting the acquisition workforce to include definitions of workforce count, methodologies and procedures used to perform periodic counts, and requirements to maintain and support related documentation. Revise DoD guidance to update information requirements for automated data files. | Planned revisions to DoD Instruction 5000.55 have been delayed based on a decision to restructure Defense Acquisition Workforce Policy and Guidance. The restructure includes planned issuance of one DoD instruction and two DoD manuals. ECD is June 2010. | USD(AT&L) |
| D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/06 | Updating policies for the DoD Personnel Security Clearance Program to include various information including program management and investigative responsibilities, security clearance systems, submission processes, types and levels of security clearances, and training requirements for security personnel. | Delays continue for the revision and coordination of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R. Army guidance initially on hold pending issuance of USD(I) guidance; however, Army now plans to submit guidance for formal coordination by the end of FY 2010. Air Force guidance on hold pending the USD(I) publications. | USD(I), Army, Air Force |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2006-079, Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy, 4/24/06 | Update Business Systems Modernization Energy (Fuels Automated System) plan of action and milestones to include all security weaknesses based on the current system configuration. | New deployment schedule developed due to delays caused by the military services' internal coordination processes. | DLA |
| D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency (U), 4/26/06 | Report is classified. | Corrective actions are on schedule. | NSA |
| D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/06 | Report is classified. | Distribution of IO across multiple Joint Capability Areas complicates development of a comprehensive long-term IO investment strategy. ECD is FY 2012. | USD(I) |
| D-2006-086, Information Technology Management: Report on General and Applications Controls at the Defense Information Systems Agency, Center for Computing Services, 5/18/06 | Report is FOUO. | Corrective actions are on schedule. | DISA |
| D-2006-087, Acquisition of the Objective Individual Combat Weapon Increments II and III, 5/15/06 | Report is FOUO. | Change in requirements and competing priorities. | Army |
| D-2006-096, Information Technology Management: Select Controls for the Information Security of the Command and the Control Battle Management Communications System, 7/14/06 | Report is FOUO. | Long-term corrective actions are on schedule. | MDA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|--|-------------------------|
| D-2006-100, Procurement Procedures Used for Next Generation Small Loader Contracts, 8/1/06 | The Air Force will develop a plan to improve the collection, analysis, and reporting of maintenance data for the Halvorsen fleet; and transition from a base level funded sustainment construct to Interim Contractor Support, and then to a Contractor Logistics Support contract to improve readiness. | Extensive time required to coordinate the transition from ICS to CLS contract. | Air Force |
| D-2006-107, Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, through March 31, 2005, 8/18/06 | Report is FOUO. | Corrective actions are on schedule. | DCMO |
| D-2006-111, Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina, 9/27/06 | Revise contingency-related purchase card guidance and improve efforts to disseminate and implement guidance. Also, establish a robust oversight presence and significantly strengthen internal controls to mitigate the risk of fraud, waste, and abuse. | Extensive time required to coordinate and issue Air Force policy. | Air Force |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2006-114, Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis, 9/25/06 | Develop and execute SOPs to: record and report obligations incurred against category codes that are consistent with the apportionment category codes; adjust the amounts submitted to the Treasury and reported on the Army Report on Budget Execution and Budgetary Resources; perform a quarterly reconciliation on those amounts; notify the Treasury when amounts on the OMB Report on Budget Execution and Budgetary Resources are not accurate; and disclose the existence of material unrec-onciled differences in budget execution data as part of the footnote disclosures to the Army financial statements. | Long-term corrective actions are ongoing. | DFAS |
| D-2006-115, Acquisition: Commercial Contracting for the Acquisition of Defense Systems, 9/29/06 | DoD is in the process of clarifying the term “Commercial Item” in appropriate DoD guidance. | Extensive time required for the approval process to update DoD guidance. | USD(AT&L) |
| D-2006-117, American Forces Network Radio Programming Decisions, 9/27/06 | Issue draft DoD Instruction 5120.20 and DoD Manual 5120.20 to provide written policies, controls, and procedures for the radio programming decision-making process. | Extensive time needed to develop guidance as a result of formal standup of the Defense Media Activity. | ASD(PA) |
| D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/06 | Processing the closeout of Hurricane Katrina mission assignments and returning reimbursable funding authority to the Federal Emergency Management Agency. Developing departmental guidance to reflect changes in financial management responsibilities. | Additional time needed for development of departmental guidance; corrective actions predicated upon actions by outside agencies. | USD(C) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|---|-------------------------|
| D-2006-123, Program Management of the Objective Individual Combat Weapon Increment I, 9/29/06 | Report is FOUO. | Change in requirements and competing priorities. | Army |
| D-2007-010, Army Small Arms Program that Relates to Availability, Maintainability, and Reliability of Small Arms Support for the Warfighter, 11/2/06 | Army is following up on the findings and recommendations of the Soldier Weapons Assessment Team Report Number 6-03. | Lack of management attention. | Army |
| D-2007-024, Management and Use of the Defense Travel System, 11/13/06 | USD(P&R) will establish a process to collect complete, reliable, and timely DoD travel information and establish necessary improvements to maximize benefits of Defense Travel System. | Long-term corrective actions on schedule. | USD(P&R) |
| D-2007-025, Acquisition of the Pacific Mobile Emergency Radio System, 11/22/06 | Report is FOUO. | Extended time needed to analyze and resolve contract overcharges. | PACOM |
| D-2007-029, Auditability Assessment of the Defense Intelligence Agency Business Processes for the Identification, Documentation, and Reporting of Property, Plant, and Equipment (U), 11/30/06 | Report is classified. | Corrective actions are on schedule. | DIA |
| D-2007-040, The General and Application Controls Over the Financial Management System at the Military Sealift Command, 1/2/07 | Improve the reliability of financial information by strengthening the general and application controls over the Military Sealift Command's Financial Management System. Specifically, improve internal controls over entity-wide security program planning and management, access controls, software development and change controls, system software, segregations of duties, and service continuity. | Long-term corrective action on schedule. | Navy |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2007-041, Navy General Fund Vendor Payments Processed By Defense Finance and Accounting Service, 1/2/07 | Update the DoD FMR to be in full compliance with Statement of Federal Financial Accounting Standards Number 1; improve the recording of DoN accounts payable transactions; identify the accounts payable recording as an assessable unit and develop procedures to test compliance with Navy General Fund; strengthen procedures to ensure that supporting documentation for all non-Electronic Data Interchange vendor payment transactions is adequately maintained and supports proper disbursements; improve payment processes and operating procedures used to make vendor payments; require all certifying officials to provide complete and accurate supporting documents. | Long-term corrective actions are ongoing. | USD(C), DFAS, Navy |
| D-2007-043, Controls Over the Army, Navy, and Air Force Purchase Card Programs, 1/10/07 | The Army and Air Force will revise purchase card guidance and improve efforts to disseminate and implement guidance. | Extensive time required to coordinate and issue policy guidance. | Army, Air Force |
| D-2007-044, FY 2005 DoD Purchases Made Through the Department of the Interior, 1/16/07 | Revise the Army's internal policy on the proper use of non-DoD contract instruments. | Extensive time required to coordinate and issue policy guidance. | Army |
| D-2007-048, Navy Sponsor Owned Material Stored at the Space and Naval Warfare Systems Centers, 1/26/07 | The Navy is working to improve controls over the financial reporting of sponsor-owned material and inventory controls over sponsor-owned materials. | Corrective actions are on schedule. | Navy |
| D-2007-049, Equipment Status of Deployed Forces Within the U.S. Central Command (U), 1/25/07 | Report is classified. | Awaiting publication of pending guidance. ECD is 6/1/2010. | USD(P&R) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|---|--------------------------------|
| D-2007-054, Quality Assurance in the DoD Healthcare System, 2/20/07 | ASD (HA) will revise DoD 6025-13-R, "Military Health System Clinical Quality Assurance Program Regulation," 6/11/04 to help Military Health System managers monitor and improve the quality of medical care in the MHS and mitigate the risk of financial loss. Upon revision of the DoD regulation, the Services will revise Service-level guidance as necessary. | Normal time required for implementation of recommendations. | ASD(HA), Army, Navy, Air Force |
| D-2007-055, Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers, 2/5/07 | The USACE Principal Assistant Responsible for Contracting will issue guidance reiterating contract requirements for properly supported invoices and proper record-keeping. Also, Wilmington Internal Review office will conduct a review of payment processes to ensure properly supported payments. | Corrective actions are ongoing. | Army |
| D-2007-062, Department of the Navy Purchases for and From Governmental Sources, 2/28/07 | The DUSD Installations and Environment will update DoD Instruction 4000.19 to include the requirements of the DoD Financial Management Regulation, Volume 11A, Chapter 3. | Extensive time required to revise policy guidance. | USD(AT&L) |
| D-2007-065, Controls Over the Prevalidation of DoD Commercial Payments, 3/2/07 | Implement more effective internal controls to ensure that DoD matches each commercial payment request to the corresponding obligation and that, once prevalidated, the disbursement transaction correctly posts in the official accounting records without manual intervention. | Functional system changes are in the final stages of testing. | USD(C), DFAS, DCMO, Army |
| D-2007-066, Navy Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 3/9/07 | Ensure that suitability deficiencies identified during testing of the AN/SPY-1D(V) Radar Upgrade System are resolved prior to production decision. | Resource and system issues have extended time needed to fully resolve program deficiencies. | Navy |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|---|-------------------------|
| D-2007-073, Financial Data Processed By the Medical Expense and Performance Reporting System, 3/21/07 | Develop appropriate accounting, measurement, and recognition methods for the data used in the MEPRS allocation process at the military treatment facilities. | Resolution of the accounting issues involves extensive system changes that are in process. | Army, Navy, Air Force |
| D-2007-078, Audit Practices for the C-17 Globemaster III Sustainment Partnership Contract, 4/9/07 | The C-17 program officials will ensure that the contractor complies with the requirements of FAR 15.403-4 and provides Certified Cost or Pricing Data to support the price proposal for FY 2009-2011. Additionally, the CCPD will be examined and confirmed to be current, accurate, and complete in accordance with the Truth in Negotiations Act. | Implementation has been delayed by resubmission of updated contractor proposals and DCAA scheduled reviews of material and labor proposals. | Air Force |
| D-2007-084, Acquisition of the Navy Rapid Airborne Mine Clearance System, 4/11/07 | Report is FOUO. | Long-term corrective actions are ongoing. | Navy, DCMA |
| D-2007-085, Reporting of Navy Sponsor Owned Material Stored at the Naval Systems Command Activities, 4/24/07 | The Navy is working to improve financial reporting and controls over sponsor-owned material. | Corrective actions are on schedule. | Navy |
| D-2007-086, Audit of Incoming Reimbursable Orders for the National Security Agency (U), 4/24/07 | Report is classified. | Corrective actions are on schedule. | NSA |
| D-2007-087, Internal Controls Over Army General Fund Transactions Processed by the Business Enterprise Information Services, 4/25/07 | DFAS will implement policy to maintain documentation of any off-line filter transaction corrections; reconcile combinations listed in the Filter Criteria Table with applicable guidance and document the justification for any differences; and document the BEIS transaction processing to include explanations for exceptions to normal processing. | Corrective actions will be verified during an upcoming audit. | DFAS |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|---|-------------------------|
| D-2007-094, Consolidation of Lockheed Martin Pension Accounting Records for Selected Business Acquisitions, 5/14/07 | Report is FOUO. | A U.S. court decision is being appealed. | DCMA |
| D-2007-095, Consolidation of Raytheon Pension Accounting Records for Selected Business Acquisitions, 5/14/07 | Report is FOUO. | Corrective actions are dependent on legal actions that are in process. | DCAA, DCMA |
| D-2007-099, DoD Privacy Program and Privacy Impact Assessments, 6/13/07 | Modify DoD Directive 5400.11, "DoD Privacy Program," November 16, 2004; and Assess the DoD Privacy Program. | Corrective actions are ongoing. | DAM |
| D-2007-100, Audit of the Special Operations Forces Support Activity Contract, 5/18/07 | Report is FOUO. | Extensive time required to coordinate and issue guidance. | USD(AT&L), USD(C) |
| D-2007-110, Identification and Reporting of Improper Payments Through Recovery Auditing, 7/9/07 | The DoD will continue to work with the Navy to identify and disseminate lessons learned from its recovery audit to other DoD Components. | Corrective actions are on schedule. | USD(C) |
| D-2007-114, DoD Garnishment Program, 7/19/07 | Take steps to improve the accuracy and completeness of amount garnished from current and retired DoD employees to pay debt obligations. | The approach for automated systems implementation of this issue has changed. System requirements have been provided for the development of the new replacement system. A request has been made for changes in the existing system, for the interim. | DFAS |
| D-2007-115, Army Information Technology Enterprise Solutions-2 Services Contract, 9/9/07 | Improve small business participation in indefinite-delivery, indefinite-quantity contracts for information technology services by creating a small business set-aside. | Lack of management attention in fully implementing corrective actions. | Army |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2007-119, Procurement of Propeller Blade Heaters for the C-130 Aircraft, 8/27/07 | The Defense Supply Center, Richmond, Virginia, will address the issue of changing the contracts deletion of items provision with Hamilton Sundstrand. | Corrective actions are on schedule. | DLA |
| D-2007-121, Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components, 9/12/07 | Seek reimbursement from FEMA for funds expended on the FEMA mission assignments related to Hurricane Katrina. | Extensive time required to coordinate and closeout FEMA mission assignments. | USD(C) |
| D-2007-128, Hotline Allegations Concerning the Defense Threat Reduction Agency Advisory and Assistance Services Contract, 9/26/07 | The DTRA will develop its acquisition strategy for future A&AS contracts with the goal of maximizing competition, and will determine whether a multiple award Indefinite-Delivery, Indefinite-Quantity contract is in the best interest of the Government. | Corrective action is on schedule. | DTRA |
| D-2007-131, Report on Followup Audit on Recommendations for Controls Over Exporting Sensitive Technologies to Countries of Concern, 9/28/07 | Establish followup procedures to ensure that timely and responsive actions are taken to implement all audit recommendations. | Extensive time required to coordinate and issue policy guidance. | USD(AT&L) |
| D-2007-132, Army Use of and Controls Over the DoD Aviation Into-Plane Reimbursement Card, 9/28/07 | Revise Army Regulation 710-2 to update requirements and appropriate use of the Aviation Into-Plane Reimbursement Card. | Extensive time required for changes to reimbursement card policies. | Army |
| D-2007-6-004, Defense Contract Management Agency Virginia's Actions on Incurred Cost Audit Reports, 4/20/07 | DCMA is working to assess and collect penalties as appropriate, improve internal controls over unresolved costs, and improve processes for taking timely and proper actions on audit report findings, including holding contracting officers accountable for their actions. | Corrective actions and efforts to verify corrective actions are ongoing. | DCMA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|---|-------------------------|
| D-2008-002, DoD Salary Offset Program, 10/9/07 | Make modifications to existing systems to properly compute salary offsets for military members, retirees, and annuitants. | Extensive time required to make modifications to existing systems. | DFAS |
| D-2008-003, Auditability Assessment of the Defense Intelligence Agency Fund Balance with Treasury and Appropriations Received, 10/16/08 | DIA is working to: improve its ability to identify the DIA share of DoD undistributed disbursements and collections; decrease the materiality of the undistributed balance for DIA at the suballotment level; and establish processes to ensure all DIA limits are captured in DFAS monthly reports and the Cash Management Report process. In addition, DIA is working to ensure that: it reports funding authorization documents in the proper accounting period; the DFAS accounting and reporting system contains complete voucher data for reconciliation purposes; and the DFAS plan of actions and milestones and the service level agreement with DIA are specific enough to meet DIA needs. | DIA has not responded to requests for the status of corrective actions taken in response to the report. | DIA, DFAS |
| D-2008-005, National Security Agency Accounts Payable (U), 10/23/07 | Report is classified. | Corrective actions are on schedule. | NSA |
| D-2008-007, Task Orders on the Air Force Network-Centric Solution Contract, 10/25/07 | The Air Force will investigate the circumstances of Air Force-generated General Services Agency task orders, and corrective actions will be based on the findings. | Corrective actions are on schedule. | Air Force |
| D-2008-032, Acquisition of the Surface-Launched Advanced Medium Range Air-To-Air Missile, 12/6/07 | Report is FOUO. | Required revision of program acquisition document has been delayed by program restructure. | Army |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|---|------------------------------------|
| D-2008-036, Follow-Up on FY 2006 DoD Purchases Made Through the Department of Veterans Affairs, 4/15/08 | USD(AT&L) to establish a Memorandum of Agreement with the U.S. Department of Veterans Affairs that addresses the roles and responsibilities regarding contract administration and surveillance procedures. Also, USD(C) to recover unexpended advance payments made to the VA Austin Automation Center. | Additional time needed for coordination of memorandum of agreement, validation of expired funds that were returned, and the recoupment of advance payments. | USD(AT&L), USD(C) |
| D-2008-041, Management of the General Fund Enterprise Business System, 1/14/08 | Improve justification, planning, and acquisition of the General Fund Enterprise Business System. | Corrective actions are being verified in an audit currently in process. | USD(C), DCMO, ASD(NII), Army, DFAS |
| D-2008-042, Reporting of Contract Financing Interim Payments on the DoD Financial Statements, 1/31/08 | Include consistent policy for capitalizing Research, Development, Test, and Evaluation expenses in the DoD Financial Management Regulation. | Extensive time required to revise and coordinate the regulation. | USD(C) |
| D-2008-043, Identification and Reporting of Improper Payments - Refunds From DoD Contractors, 1/31/08 | Improve processes to more accurately identify, report, and reduce improper payments. | Extensive coordination needed between DoD components. | USD(C) |
| D-2008-044, Adequacy of Procedures for Reconciling Fund Balance with Treasury at the National Geospatial-Intelligence Agency, 1/31/08 | Improve reconciliation of transactions posted to the Fund Balance with Treasury general ledger account. Develop effective and efficient processes for identifying disbursement and collection transactions through all phases of processing. | Long-term corrective actions are ongoing. | DFAS |
| D-2008-045, Controls Over the TRICARE Overseas Healthcare Program, 2/7/08 | ASD (HA) will implement recommendations to further control health care costs provided to overseas DoD beneficiaries. | Normal time required for implementation of recommendations. | ASD(HA) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|--|-------------------------|
| D-2008-047, Contingency Planning for DoD Mission-Critical Information Systems, 2/5/08 | DoD component CIOs implement controls to verify that system owners developed and tested system contingency plans as required or support the assertions in their CIO certification memorandums about the completeness and accuracy of their information in the DoD Information Technology Portfolio Repository. | Corrective actions are on schedule. | 11 Component CIOs |
| D-2008-050, Report on FY 2006 DoD Purchases Made Through the Department of the Treasury, 2/11/08 | Review and deobligate expired funds. Identify and facilitate return of expired or excess funding from the Department of Treasury. | Corrective actions are ongoing. | USD(C) |
| D-2008-052, Disbursing Operations Directorate at Defense Finance and Accounting Service Indianapolis Operations, 2/19/08 | DFAS is working to improve internal controls over: the processing of Intra-Governmental Payment and Collection System transactions, adjustments to IPAC suspense accounts, and the reconciliation of the "Statement of Differences-Deposits" report. | Corrective actions are on schedule. | DFAS |
| D-2008-057, Contractor Past Performance Information, 2/29/08 | Reconcile active contracts with contracts registered in the Contractor Performance Assessment Reporting System, then register and begin reporting on unregistered active contracts. | Corrective actions are ongoing. | USD(AT&L) |
| D-2008-061, Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program, 3/7/08 | Include requirements for gathering and including transaction-level data in guidance. | Management corrective actions on schedule. | NGB |
| D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 3/19/08 | Improve the acquisition process for DoD procurements made through interagency agreements. | Corrective actions are ongoing. | Army |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|--|-------------------------|
| D-2008-067, DoD Procurement Policy for Body Armor, 3/31/08 | Revise the Army's internal policy on the proper use of non-DoD contract instruments. | Extensive time required to coordinate and issue policy guidance. | Army |
| D-2008-069, Controls Over Army Working Capital Fund Inventory Stored by Organizations Other than Defense Logistics Agency, 3/28/08 | The Army is working to improve controls in the timeliness of physical inventories, separation of duties, implementation of location audit programs, and inventory adjustment research at the audited storage activities. | Corrective actions are on schedule. | Army |
| D-2008-070, Management of Noncombatant Evacuation Operations Within the U.S. Pacific Command (U), 3/25/08 | Report is classified. | Corrective actions are on schedule. | PACOM, USFK |
| D-2008-071, Management of Noncombatant Evacuation Operations in Japan (U), 3/28/08 | Report is classified. | Corrective actions are on schedule. | PACOM |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|---|-------------------------|
| D-2008-072, Controls Over Army Real Property Financial Reporting, 3/28/08 | The Army is working to ensure compliance with the new costing methodology for assigning costs to the real property users and to correct misstatements in the Army financial statements. The Army is also working to implement a common business process for creating a subsidiary ledger file to support the property management and financial reporting of AWCF and AGF real property assets. Further, the Army is working to improve the accuracy and efficiency of the transfer of construction-in-progress costs between accounting and property management systems. | Corrective actions are on schedule. | USD(C), Army, DFAS |
| D-2008-077, United States Army Corps of Engineers Financial Management System, 4/8/08 | Report is FOUO. | Corrective actions are on schedule. | Army |
| D-2008-079, Management of Incremental Funds on Air Force Research, Development, Test, and Evaluation Contracts, 4/8/08 | Conduct preliminary Anti-deficiency Act investigations, establish procedures to track and record deferral charges as unfunded liabilities for accounts payable, and clarify the use of Research, Development, Test, and Evaluation funds. | Management corrective actions on schedule. | Air Force |
| D-2008-081, Controls Over the Reconciliation of Defense Logistics Agency Non-Energy Inventory Balances, 4/25/08 | Perform cost benefit analysis and update policy. | Long-term corrective actions are ongoing. | DLA |
| D-2008-082, Summary Report on Potential Antideficiency Act Violations Resulting From DoD Purchases Made Through Non-DoD Agencies (FY 2004 Through FY 2007), 4/25/08 | Complete formal investigation of potential Antideficiency Act violations arising from interagency agreements. | Time needed to complete formal investigation. | USD(C) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|---|-------------------------|
| D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 5/9/08 | Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for the future distribution of the armor kits. | Extended time needed to develop and staff Capability Production Document. | Army |
| D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 5/13/08 | AT&L is working to revise the guidance and criteria for performing the annual and end-of-day inventory reconciliations in DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures." The Army is also working to update its Regulations, policies, and procedures. | Corrective actions are on schedule. | USD(AT&L), Army |
| D-2008-092, Controls Over the Department of the Navy Working Capital Fund Inventory Stored at Non- Defense Logistics Agency Organizations, 5/13/08 | Ensure proper training of warehouse personnel, resolve inaccuracies, and implement procedures. | Corrective actions are ongoing. | Navy |
| D-2008-093, Processing of Deceased Retired Military Members' Suspended Accounts, 5/14/08 | Recover erroneous payments and terminate suspended accounts after 6 years. | Corrective actions are ongoing. | DFAS |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2008-097, Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract, 5/23/08 | The Navy will pursue a refund of \$1.6 million from invoices for unreasonable lease charges, fees, and applicable overhead costs associated with a subcontract with C-MARK. As a result of a DCAA audit report that was issued in July 2009, the Navy will pursue a refund from Kellogg, Brown, and Root for questioned costs in the amount of \$24.3 million on three areas: duplicate markups on contract labor and equipment; the contractor failing to select the lowest bidder; unsupported subcontract costs. | Corrective actions are on schedule. | Navy |
| D-2008-098, Internal Controls Over Payments Made in Iraq, Kuwait and Egypt, 5/22/08 | Revise the checklist provided to deployed finance offices to address the Prompt Payment Act and employer identification number requirements. | Long-term corrective action on schedule. | Army |
| D-2008-101, General Controls Over the Standard Accounting, Budgeting, and Reporting System, 6/6/08 | DFAS is working to clearly assign security responsibilities to the Standard Accounting, Budgeting, and Reporting System Program Management Office. The SABRS Program Management Office is working to coordinate with all parties responsible for security over SABRS. | Corrective actions are on schedule. | DFAS |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--------------------------------|-------------------------|
| D-2008-104, Audit of DoD Implementation of Homeland Security Presidential Directive-12, 6/23/08 | USD (P&R) will submit proposed CAC PIV end-state credential to GSA for conformance/interoperability testing within one month of completion of recommendation A3; DoD submitted its test package of DoD CAC for GSA conformance testing and expect GSA to confirm DoD's conformance with the required HSPD-12 related technical guidelines; Omission of SSN from DoD Military Identification Cards to display the four digits only on the Geneva Conventions credential; develop and issue a Deputy Secretary of Defense Directive to achieve full DoD compliance with the HSPD-12 requirements, and revise DoD Directive 5200.08-R and other DoD issuances as necessary to appropriately reflect responsibility for incorporating FIPS 201-1 minimum requirements to all DoD electronic access control systems. USD (I) will develop minimum background check requirements for vetting foreign nationals in countries where no international security agreement exist and revise DoD Regulation 5200.08-R to expressly prohibit the issuances of photoless identification credentials used to gain access to DoD installations and facilities, or establish a formal process to waive requirements for a photo on the credential. | Corrective actions ongoing. | USD (P&R) and USD (I) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|-------------------------|
| D-2008-105, Defense Emergency Response Fund, 6/20/08 | Deobligate all unpaid obligations more than 2 years old and withdraw all excess DERF funding that authorities provided to the Components. Also, revise DoD FMR Chapter 6 to provide guidance and assign responsibilities for the use of DERF for overseas disaster and humanitarian assistance. | Additional time required to complete withdrawal of excess DERF funding, and coordinate and issue policy. | USD(C) |
| D-2008-107, Contracts Issued by TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division, 7/3/08 | The Defense Contract Audit Agency will conduct post-award audits of applicable pricing actions based on a risk assessment considering the potential for these actions to be overpriced. | Corrective actions are on schedule. | DCAA |
| D-2008-114, Accountability for Defense Security Service Assets with Personally Identifiable Information, 7/24/08 | Revise DoD Instruction 5000.64 and implement planned improvements to property accountability. | Normal time required for implementation of recommendations. | USD (AT&L), USD (I) |
| D-2008-117, Accuracy of Mechanization of Contract Administration Services Accounts Payable Information, 11/12/08 | Revise guidance and implement changes to systems. | Long-term corrective action on schedule. | USD(AT&L), DCMA |
| D-2008-118, Host Nation Support of U.S. Forces in Korea, 8/25/08 | Conduct joint reviews of accounting and disbursing procedures for Labor Cost Sharing funds. Prepare and issue any required updates to current policies and procedures based on joint review results. | Extensive coordination needed between DoD components to conduct joint reviews of accounting and disbursing policy, and update appropriate policy guidance. | USD(C) |
| D-2008-123, Internal Controls Over Navy General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States, 8/26/08 | Establish procedures to ensure the disbursing officer obtains the most beneficial exchange rate when exchanging U.S. dollars for Bahraini dinars. | Additional time needed to coordinate and issue policy guidance. | Navy |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|--|-------------------------------|
| D-2008-124, Management of the Noncombatant Evaluation Operations Tracking System by U.S. Forces Korea, 8/21/08 | Report is FOUO. | Actions are nearing completion. ECD is 2010. | JS |
| D-2008-128, Reimbursable Fees at the Major Range and Test Facility Bases, 9/10/08 | The Naval Air Warfare Center's Weapons Division will alter their methodology for determining utility and labor charges so that charges to DoD customers do not exceed the direct cost for the use of the facilities. | Utility load study to estimate the appropriate usage rates for the FY 2010 rate structure is ongoing. | Navy |
| D-2008-129, Acquisition of the Army Airborne Surveillance, Target Acquisition, and Minefield Detection System, 9/10/08 | Revise the memo of agreement between the acquisition managers involved with ASTAMIDS to clarify the working relationships needed to develop ASTAMIDS as part of the Future Combat Systems. | Revised working agreement delayed by program restructuring. | Army |
| D-2008-130, Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts, 9/17/08 | Clarify the term "appropriateness" and reflect the new organizations, roles, and responsibilities in the DoD 3025 guidance series. | Extensive time needed to coordinate and issue policy. | JS, USD(C), ASD(HD), NORTHCOM |
| D-2008-131, Security of Radio Frequency Identification Information, 9/19/08 | Report is FOUO. | Coordination of additional guidance is ongoing. | USD(AT&L) |
| D-2008-132, Ocean Freight Transportation Payments Using Power Track, 9/26/08 | Report is FOUO. | Management corrective actions on schedule. | Army |
| D-2008-134, Acquisition of the B-1 Fully Integrated Data Link, 9/22/08 | Ensure that Common Link Integration Processing software, a critical B-1 FIDL technology, is mature prior to program production decision. | Software development slippage, funding constraints, and mandatory maintenance on the test aircraft have extended testing schedule. | Air Force |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|---|-------------------------|
| D-2008-136, Payments for Patients Referred To Overseas Providers Under the Supplemental Health Care Plan, 9/30/08 | Transfer responsibility to a qualified health care claims processor for processing and paying claims for overseas health care referred by military treatment facilities. Recoup funds expended through duplicate payments identified during the audit. | Normal time required for implementation of recommendations. | ASD(HA) |
| 08-INTEL-03, Review of Threat Assessment Guidance Regarding Nuclear Weapons Located Outside the Continental United States (U), 3/29/08 | Report is classified. | Corrective actions are ongoing. | ATSD(NCB) |
| D-2009-001, Information Assurance Controls for the Defense Civilian Pay System, 10/7/08 | Report is FOUO. | Management corrective actions on schedule. | DFAS |
| D-2009-002, Attestation of the Department of the Navy's Environmental Disposal for Weapons Systems Audit Readiness Assertion, 10/10/08 | The Navy is working to: revise standard operating procedures; ensure that all of the disposal costs related to its weapon systems are included in its Environmental Disposal for Weapons Systems line item; ensure adequate supporting documentation is available; and ensure the accuracy, reliability, and authenticity of the data entered into the amortization workbooks. | Corrective actions are on schedule. | Navy |
| D-2009-005, Controls Over the Contractor Common Access Card Life Cycle, 10/10/08 | Report is FOUO. | Coordination of guidance is ongoing. | Army, USD(I), USD(P&R) |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|---------------------------|
| D-2009-008, Internal Controls Over the Department of the Navy Military Equipment Baseline Valuation Effort, 11/26/08 | Issue guidance on procedures for classifying assets as military equipment, establish appropriate documentation requirements to support improvements and estimated useful life of military equipment, and verify the completeness of the military equipment program universe. | Corrective actions are on schedule. | Navy |
| D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense and American Forces Information Service, 12/10/08 | Expedite the selection of the Defense Media Agency director and other key managers; implement a DMA-wide personal property program; investigate potential misuse of funds, improper contracting, and statutory violations. Implement DoD Instruction 5010.40 at DMA. | Management corrective actions on schedule. | USD(C), ASD(PA), WHS |
| D-2009-029, Internal Controls Over the Department of the Navy Cash and Other Monetary Assets Held in the Continental United States, 12/9/08 | Test the Electronic Security System, including individual sensors, at least quarterly to ensure systems are functional. | Corrective actions are on schedule. | Navy |
| D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistance Ambush Protected Vehicles, 12/5/08 | Report is FOUO. | Revision of Joint Staff guidance has been delayed to incorporate impending OSD guidance. Implementing Marine Corps guidance is on hold pending issuance of Joint Staff guidance. | Joint Staff, Marine Corps |
| D-2009-031, Afghanistan Security Forces Fund Phase III-Air Force Real Property Accountability, 12/29/08 | The Combined Security Transition Command - Afghanistan will develop and implement guidance covering the transfer of real property from the U.S. government to the Islamic Republic of Afghanistan, including the transfer of responsibility for Operations and Maintenance of facilities. | Corrective actions are on schedule. | CENTCOM |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|--|---------------------------------------|-------------------------|
| D-2009-037, TRICARE Controls Over Claims Prepared By Third-Party Billing Agencies, 12/31/09 | TRICARE Management Activity strengthen internal controls to: 1) avoid paying improper health care claims by identifying relationships between providers and billing agencies, and 2) initiating action to obtain the statutory or regulatory authority to sanction billing agencies or any entities that prepare or submit improper health care claims to the TRICARE contractors. | Normal time for implementation. | ASD (HA) |
| D-2009-041, Expeditionary Fire Support System and Internally Transportable Vehicle Programs, 1/21/09 | The Marine Corps Systems Command will conduct training to ensure contracting officers are familiar with their authorities and responsibilities as set forth in the Federal Acquisition Regulation and to ensure the rest of the Command's contracting community is made aware of the consequences of poor record keeping. | Corrective actions are on schedule. | Marine Corps |
| D-2009-042, Hiring Practices Used to Staff the Iraqi Provisional Authorities, 1/16/09 | DoD is establishing a framework consistent with National Security Presidential Directive 44 and DoD Directive 3000.05 that enables it to effectively staff contingencies such as humanitarian, stabilization, and interagency operations with civilians and define departmental roles and responsibilities for supporting these operations. | Draft instruction is in coordination. | USD (P&R) |
| D-2009-043, FY 2007 DoD Purchase Made Through the U.S. Department of Veterans Affairs, 1/21/09 | Conduct a special emphasis procurement management review on the use of non-DoD contracts for FY 2009 and ensure appropriate corrective actions are taken based on the review results. | Corrective actions are on schedule. | DLA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|--|---|-------------------------|
| D-2009-044, Defense Finance and Accounting Service Indianapolis Compilation of Other Defense Organizations General Fund Financial Data, 1/23/09 | Review journal voucher log and review and approve journal vouchers. | Corrective actions will be verified during an upcoming audit. | DFAS |
| D-2009-045, Security Guard Services Contract at Naval Weapons Station Earle, 1/23/09 | The Navy is taking action to address security concerns and improve oversight of services performed under the security guard services contract at Naval Weapons Station Earle. | Management corrective actions on schedule. | Navy |
| D-2009-046, Procurement and Delivery of Joint Service Armor Protected Vehicles, 1/29/09 | The report is FOUO. | Corrective actions are on schedule. | Marine Corps |
| D-2009-047, DoD Testing Requirements for Body Armor, 1/29/09 | Army expedite return of specified ballistic inserts and remove them from inventory. DOT&E develop a rigorous test operations procedure for ballistic inserts and ensure that it is implemented DoD-wide. | Extended time needed for Army to identify and remove all specified ballistic inserts. Long-term DOT&E action to develop standard test procedure is on schedule. | Army, DOT&E |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|--|---|--|-------------------------|
| D-2009-048, DoD Small Business Innovation Research Program, 1/30/09 | The AT&L will establish guidance requiring: adherence to a consistent methodology for identifying and reporting on applicable SBIR projects; supplemental funding for the administration of the SBIR program; designated SBIR liaisons to be posted on a web site by the DoD SBIR program Office; SBIR contracting personnel to record phase III contracting actions in the DoD and Federal procurement databases; participating components to only exceed SBA award guidelines on an exceptional basis and be subject to approval by the component program manager, and; additional non-SBIR funded work not applicable to the base contract not be funded as part of the Phase II contract. The Navy will develop guidance to monitor compliance with standards for periods of performance and cumulative award amounts in Secretary of the Navy Instruction 4380.7B. The controls will ensure compliance with the current Small Business Administration Policy Directive in regards to award values and period of performance. | Corrective actions are on schedule. | AT&L, Navy |
| D-2009-049, Internal Controls Over the United States Marine Corps Military Equipment Baseline Valuation Effort, 2/9/09 | Establish adequate controls over the valuation of military equipment baseline. | Corrective actions are ongoing. | Navy |
| D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 2/9/09 | Revise guidance to improve internal controls over the time and attendance, especially the use of overtime and compensatory time. | Management corrective actions on schedule. | NGA |

| Report Number Title/Date | Description of Action | Reason Action Not Completed | Principle Action Office |
|---|---|--|------------------------------|
| D-2009-057, Controls Over Collections and Returned Checks at Defense Finance and Accounting Service, Indianapolis Operations, 2/27/09 | Deposit all collections within U.S. Treasury timeframes, improve and consolidate collection functions and processing, and ensure that DFAS offices cancel returned U.S. Treasury checks within 3 workdays. | Corrective actions are on schedule. | DFAS |
| D-2009-059, Air Force Management of the U.S. Government Aviation Intra-Plane Reimbursement Card Program, 3/6/09 | Develop Air Force-specific guidance and procedures on the use of the AIR Card. Develop a training program to ensure training for all personnel involved in AIR functions. | Corrective actions are ongoing. | Air Force |
| D-2009-061, Controls Over Reporting Transportation Costs in Support of the Global War on Terror, 3/12/09 | Perform monthly reconciliation of requirements and execution to ensure funding levels are sufficient. | Corrective actions are ongoing. | Army |
| D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 3/25/09 | Improve internal controls over cash and other monetary assets by establishing special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations. | Corrective actions require coordination with the Office of Management and Budget and the Department of the Treasury. | USD(C) DFAS |
| D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 3/24/09 | Train contracting personnel, conduct quarterly self-inspections, improve contract oversight, update financial records, and improve oversight of potential Antideficiency violations. | Corrective actions are ongoing. | USD(AT&L), USD(C), Air Force |
| D-2009-065, Navy Reporting of Financing Payments for Shipbuilding on the Financial Statements, 3/26/09 | Properly segregate shipbuilding expenses and implement controls over shipbuilding Construction-in-Progress values by the Navy. | Management corrective actions on schedule. | USD(AT&L), Navy |

APPENDIX G

SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 99 percent of the 322 DoD IG audit recommendations rendered in the first six months of FY 2010. Many recommendations require complex and time-consuming actions, but managers are expected to make reasonable efforts to comply with agreed-upon implementation schedules. Although most of the 947 open actions on DoD IG audit reports being monitored in the follow-up system are on track for timely implementation, 185 reports issued more than 12 months ago for which management has not completed actions to implement the recommended improvements.

The following significant open recommendations have yet to be implemented.

- DoD IG made recommendations in 2005 to follow the guidance established by National Institute of Standards and Technology or issue interim guidance that requires all DoD agencies to follow NIST criteria for the issue areas identified until the DoD develops criteria for an information technology security certification and accreditation process that are more stringent than those for NIST Publications. DoD is working with NIST, the Office of the Director of National Intelligence, the Intelligence Community, the Committee on National Security Systems, and other federal agencies to develop a common set of information security controls, a risk management framework, and a high-level security certification and accreditation process that can meet the needs of all federal agencies for managing and operating both national security and non-national security systems.
- DoD IG made recommendations in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures and revise existing antiterrorism plans in accordance with DoD policy. DoD revised its applicable guidance in October 2006. The Marine Corps is still in the process of updating their corresponding guidance.
- DoD IG made recommendations in three reports in 2008 to improve management of noncombatant evacuation operations within the U.S. Pacific Command to protect U.S. citizens in the event they must be removed from harm's way. The reports focused on NEO operations in Japan and Korea because of the presence of U.S. military and U.S. citizens in those countries, and because of the magnitude of DoD involvement in a NEO, if ordered. Actions are under way to improve management and coordination of NEO plans.
- DoD IG made recommendations in multiple reports in the high-risk area of personnel security. Some of the most significant of these include: considerable number of revisions to and issuance of DoD Instruction 5200.2 and DoD Manual 5200.2, which will replace DoD Regulation 5200.2-R; establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified but sensitive DoD IT systems; and establishment of policy on access reciprocity and a single, integrated database for Special Access Programs. Although actions are ongoing, progress on the unprecedented transformation of the personnel security program is slow.
- DoD IG made recommendations in 2009 to improve the testing requirements for body armor. These included a recommendation for the Army to collect 16,413 sets of body armor ballistic inserts that had not been adequately tested and remove them from inventory. Another recommendation called for DOT&E to develop a standard testing protocol for ballistic inserts and ensure that the protocol is implemented DoD-wide. Corrective actions by the Army and DOT&E are currently in process.
- DoD IG made recommendations in 2008 and 2009 to issue comprehensive guidance related to Homeland Security Presidential Directive-12 and controls over Common Access Cards. HSPD-12 establishes a mandatory government-wide standard for secure and reliable forms of identification issued by federal agencies to their employees and contractors. The Common Access Card is the official DoD/federal identification credential that can be used for logical and physical access once access privileges are granted.

Some of the most significant recommendations are to update DoD regulations, instructions and directives to ensure compliance with HSPD-12; to update DoD Instruction 5200.02, “DoD Personnel Security Program,” to include revised DoD policy for the investigation and adjudication of the Federal Personal Identity Verification card; and to develop and implement procedures to verify that trusted agent security managers and trusted agents are government employees before authorizing sponsorship duties. Actions are under way to update corresponding guidance.

- DoD IG made recommendations in multiple reports on financial management and accounting issues, which involve making numerous revisions to the DoD financial management regulations to clarify accounting policy and guidance. The recommendations have resulted in initiatives that are under way to publish and implement improved guidance. In addition, recommendations to improve accounting processes and internal controls over financial reporting and related financial systems have resulted in initiatives that are under way to correct financial systems deficiencies. Implementing these corrective actions will enable the Department to provide accurate, timely, and reliable financial statements. In 2004, DoD IG reported on significant unresolved abnormal balances in both the proprietary and budgetary accounts used in

compiling the Army General Fund financial statements. The auditors recommended that DFAS identify the abnormal balances and research the causes for the differences. DFAS agreed pending the implementation of the Business Enterprise Information Services. Based on the most recent audit of the Army General Fund financial statements, the auditors concluded that the issue of abnormal balances in accounting records continues to be an issue. In addition to the financial data compilation and abnormal balance issues impacting the Department’s financial statements, other ongoing issues include those relating to budget execution, cash management, and financial system development and deployment.

- DoD IG made recommendations in several reports to clarify and improve DoD policy guidance and procedures covering the roles and responsibilities of contracting personnel and requirements for obtaining cost or pricing data, conducting price analysis, determining price reasonableness, fulfilling competition requirements, using multiple-award contracts, monitoring contractor performance, and maintaining past performance data on contractors. Corrective actions are under way to improve DoD contracting procedures related to source selection, interagency acquisitions, and contract surveillance and reporting.
- DoD IG made recommendations in several reports to improve over-

sight responsibilities and management controls relating to the purchase card program. These recommendations include: ensuring all cardholders and approving officials receive the required initial and refresher purchase card training, effectively managing the span of control over purchase card accounts; conducting oversight reviews of approving official accounts to verify compliance with DoD purchase card guidance; ensuring proper retention of documents for all accounts; and adequately enforcing existing controls throughout the purchase card process. The Army and Air Force are still in the process of updating their guidance to conform to corresponding DoD policy.

- DoD IG made recommendations in several reports that involve improving the acquisition process for DoD purchases made through non-DoD agencies. These recommendations include verifying that funding is proper and accurate, and if not, reviewing violations of the bona fide needs rule and purpose statute, and correcting potential Antideficiency Act violations. These recommendations also include instituting mandatory training, improving oversight, and taking appropriate disciplinary or administrative actions against contracting officers. DoD organizations are in the process of implementing corrective actions.

APPENDIX H

ACRONYMS

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| (ADM) Acquisition Decision Memorandum | (DCMA) Defense Contract Management Agency |
| (AED) Automated Electronic Defibrillators | (DCS) Deputy Chief of Staff |
| (AFAA/FS) Air Force Audit Agency Financial Systems Audits Directorate | (DDS) Deployable Disbursing System |
| (AFAA/QL) Air Force Audit Agency Acquisition and Logistics Audits Directorate | (DFARS) Defense Federal Acquisition Regulation Supplement |
| (AFAA/SP) Air Force Audit Agency Support and Personnel Audits Directorate | (DFAS) Defense Finance and Accounting Service |
| (AFCENT) Air Forces Central Command | (DIMHRS) Defense Integrated Military Human Resources System |
| (AFFES) Army Families Federation Employment Service | (DISA) Defense Information Systems Agency |
| (AFIC) Armed Forces Inaugural Committee | (DISN) Defense Information Systems Network |
| (AFOSI) Air Force Office of Special Investigations | (DLA) Defense Logistics Agency |
| (AFRH) Armed Forces Retirement Home | (DoN) Department of the Navy |
| (AFRL) Air Force Research Laboratory | (DOT&E) Director of Operational Test and Evaluation |
| (AFV) Alternative Fuel Vehicle | (DOT OIG) Department of Transportation Office of Inspector General |
| (AHR) Advanced Hawkeye Radar | (DOTMLPF) Doctrine, Organization, Training, Materiel, Leadership and Education, Personnel and Facilities |
| (AIRP) Afghanistan Infrastructure Rehabilitation Project | (DR/EST) Dangerous Radical/Enduring Security Threats |
| (ANG) Army National Guard | (DRMO) Defense Reutilization and Marketing Office |
| (ANP) Afghan National Police | (DSCC) Defense Supply Center Columbus |
| (ANSF) Afghan National Security Forces | (DSCC CM/UPS) Defense Supply Center Columbus Counterfeit Material/Unauthorized Product Substitution |
| (APATs) Anti-Piracy Assistance Teams | (ECV) Expanded Capacity Vehicle |
| (ARI) Automatic Reset Induction | (ECWCS) Extended Cold Weather Clothing System Generation III |
| (ARRA) American Recovery and Reinvestment Act | (EOD) Explosive Ordnance Disposal |
| (ASG-KU) Area Support Group – Kuwait | (ESAPI) Enhanced Small Arms Protective Inserts (bulletproof vests) |
| (BAH) Basic Allowance for Housing | (FAR) Federal Acquisition Regulation |
| (BCA) Business Case Analysis | (FCS) Future Combat System |
| (BUD/S) Basic Underwater Demolition/SEAL | (FISCSI) Fleet and Industrial Supply Center Sigonella, Italy |
| (BUMED) Bureau of Medicine | (FMS) Foreign Military Sales |
| (CCWS) Close Combat Weapons Systems | (FSRM) Facilities, Sustainment, Restoration, and Modernization |
| (CID) Criminal Investigation Command | (GAO) Government Accountability Office |
| (CITF) Criminal Investigation Task Force | (GFP) Government-furnished Property |
| (CIVPOL) Civilian Police | (GOJ) Government of Japan |
| (CJTf-HOA) Combined Joint Task Force – Horn of Africa | (GSA) General Services Administration |
| (CLU) Command Launch Unit | (HAF/RM) Headquarters Air Force Resource Management |
| (CM/UPS) Counterfeit Material/Unauthorized Product Substitution | (HMMWV) High Mobility Multi-purpose Wheeled Vehicle |
| (CONUS) Continental United States | (HQ AMC) Headquarters, U.S. Army Materiel Command |
| (COR) Contracting Officer's Representative | (IBA) Interceptor Body Armor |
| (CRI) Civilian Reprisal Investigations | (ICG) Interagency Coordination Group |
| (CSTC-A) Combined Security Transition Command – Afghanistan | (IED) Improvised Explosive Device |
| (CWC) Commission on Wartime Contracting | (IMCOM) Installation Management Command |
| (CWO) Chief Warrant Officer | |
| (DCAA) Defense Contract Audit Agency | |
| (DCIS) Defense Criminal Investigative Service | |

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| (INL) International Narcotics and Law Enforcement Affairs Bureau (U.S. Department of State) | (OCO) Overseas Contingency Operations |
| (JFHQ-NCR) Joint Force Headquarters – National Capital Region | (OEF) Operation Enduring Freedom |
| (JIEDDO) Joint Improvised Explosive Device Defeat Organization | (OIF) Operation Iraqi Freedom |
| (JIOC) Joint Intelligence Operation Center | (O&M) Operations and Maintenance |
| (JTTF) Joint Terrorism Task Force | (OMB) Office of Management and Budget |
| (KOV-14) cryptographic card | (OSD) Office of the Secretary of Defense |
| (KSV-21) cryptographic card | (PACAF) Pacific Air Forces |
| (LECIATF) Law Enforcement Combined Inter-Agency Task Force | (PAD) Public Access Defibrillators |
| (LOGCAP) Logistics Civil Augmentation Program | (PEO-EIS) Program Executive Office for Enterprise Information Systems |
| (MDW) Military District of Washington | (PII) Personally Identifiable Information |
| (MER) Mission Essential Requirements | (PWC) Public Warehousing Company |
| (MILCON) Military Construction | (RATB) Recovery Accountability and Transparency Board |
| (MLSD) Missing, Lost, Stolen, or Damaged | (RC) Reserve Component |
| (MNF-I) Multi-National Forces-Iraq | (SAIC) Science Applications International Corporation |
| (MOI) Ministry of the Interior | (SDD) System Development and Demonstration |
| (MOLLE) Modular Lightweight Load-Carrying Equipment | (SIGIR) Special Inspector General for Iraq Reconstruction |
| (MORD) Miscellaneous Obligation/Reimbursement Documents | (SLICC) Senior Leaders In-Transit Conference Capsule |
| (MPFU) Major Procurement Fraud Unit | (SLIP) Senior Leaders In-Transit Pallet Program |
| (NAB) Naval Amphibious Base | (STE) Secure Terminal Equipment |
| (NATO) North Atlantic Treaty Organization | (TADSS) Training Aids, Devices, Simulators and Simulations |
| (NAVAUDSVC) Naval Audit Service | (TRADOC) Training and Doctrine Command |
| (NAVSEA) Naval Sea Systems Command | (USAAA) U.S. Army Audit Agency |
| (NAVSPECWARCOM) Naval Special Warfare Command | (USACE) U.S. Army Corps of Engineers |
| (NCIS) Naval Criminal Investigative Service | (USACIL) United States Army Criminal Investigation Laboratory |
| (NCOER) Non-Commissioned Officer Evaluation Report | (USAF) U.S. Air Force |
| (NEXCOM) Navy Exchange | (USAID) U.S. Agency for International Development |
| (NJTTFs) National Joint Terrorism Task Force | (USCENTCOM) U.S. Central Command |
| (NMCI) Navy/Marine Corps Intranet | (USD [AT&L]) Under Secretary of Defense for Acquisition, Technology, and Logistics |
| (NTV) Nontactical Vehicle | (USD(C)/CFO) Under Secretary of Defense (Comptroller)/Chief Financial Officer |
| (OCCL) Office of Communications and Congressional Liaison | (USTRANSCOM) U.S. Transportation Command |
| (OCIE) Organizational Clothing and Individual Equipment | (WRM) War Reserve Materiel |
| | (ZAI) Zerene Aerospace Inventories, Inc. |



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